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A PRIMER OF BUSINESS

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A PRIMER OF BUSINESS

BY

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P R E F A C E

This little book is an attempt to sketch in a readable yet exact form the salient points of the Theory and Practice of Modern Commerce. In addition to such fundamental subjects as Exchanges, Banking, and Insurance it contains some account of Office-work, Book-keeping, Correspondence, with Examples, and in particular the best devices for sorting papers, docketing letters, reckoning dates, etc., are fully explained.

It is hoped that this combination of Theory and Practice will be found specially useful as an introduction both to advanced books on mercantile questions and to the essential details of everyday work.

S. JACKSON

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A PRIMER OF BUSINESS.

CHAPTER I.

INTRODUCTION.

The Origin of Commerce.—It is natural that those who have more than they need of any one sort of property should wish to exchange it for other kinds of which they feel the want. Such exchanges constitute Barter, and the necessity and desire for Barter is the foundation of Commerce. The stages are not difficult to distinguish. Individuals first bartered goods among each other, then communities found themselves able to produce certain things in abundance and these were exchanged; finally, countries became well-known and widely-recognized as the seats of special products and manufactures.

At first each man was his own distributor, but as products and communities increased this became inconvenient and impossible. In consequence a class of persons arose wholly engaged in the Distribution of Property, and these were called Traders or Merchants. The growth of Trade at length broke down the system of Barter as too cumbrous and restrictive. Money was introduced as the medium of Exchange and its convenience caused a vast extension of commerce. The needs of countries form the perpetual basis of the larger commercial operations, *e.g.* the British

Isles supply corn-growing countries with ships, machinery, and rails in return for grain; and the tea and silk of China are exchanged for Manchester cottons. The needs of towns and persons constitute the basis of the smaller operations of trade.

The Growth of Trade.—One great cause of the marvellous expansion of Modern Trading is the increase in the facilities for carriage and communication which these times enjoy. The Telegraph has made distance of no moment as regards intelligence; Steam has utterly revolutionized methods of Transport; and Cheap Postage has ensured accuracy in transactions with prompt and safe settlement of accounts.

The advance made in the Machinery of Production has also largely contributed to the Volume of Trade. Nothing is more astonishing than the perfection to which many kinds of machinery have been brought: so that goods are now turned out with the greatest rapidity, of a style, finish, and suitability never imagined by the men of the last century. These are causes actual and obvious to everyone and they have resulted in the following stupendous transactions: the Board of Trade Returns for 1891 give 309 and 435 millions as the value of British Exports and Imports during the year.

Production.—The supply of food by the cultivation of the land and the rearing of live-stock must always be the chief and primary occupation of mankind, but it does not follow that all communities or countries have the same advantages for success in it. For instance, the British Isles are not able to grow enough corn for the requirements of the population by some 20 millions of quarters.

Moreover there are other essential wants only second to the supply of food. We need clothes, artificial light, means of transport, pure water and sanitary appliances. Books also have become very necessary to us. All these wants are supplied with greater success by some places or countries than by others, *i.e.* either through natural advantages or through the skill and energy of the inhabitants certain products are made in one country to a larger extent than elsewhere. There is a continual interchange of such food and artificial products between countries—each producing those things which are best adapted to its condition, or for which there is a demand outside. The abundance of one supplies the deficiency of another.

The influence of civilisation on Production is very marked; it has created many wants previously unfelt and production has thus been largely stimulated. The improvement too in sanitary matters has required enormous quantities of machinery and plant. Great advances have been gained even in the machinery by which products are made, until the production of the Machinery of Production has become one of the most gigantic branches of commerce. The development of the Railways, and the application of steam to ships and machinery generally, have been the greatest factors in the strides made by the World's Trades.

Producers and Distributors.—The persons engaged in growing the fruits of the earth are termed Producers—a term also applied to manufacturers, or those who make goods of a more artificial nature. It is to be observed that there is an important distinction in the two terms.

Middlemen.— The goods prepared by the Producer or

Manufacturer find their way to warehousemen, merchants, or brokers in the first place.

Warehousemen are wholesale dealers who buy large quantities of goods and sell them to merchants for export, or to retailers for home use.

Merchants traffic in imports or exports—they are of two kinds; (1) General merchants—trading to various parts and in various goods; (2) Specific merchants, engaged in particular branches of Trade and to definite places. Their business is usually done through *Factors* or Agents who reside abroad. Goods are consigned to the factor for sale under certain conditions or at his discretion. He generally advances money upon the goods and therefore has a sort of property in them. He is usually paid by a commission.

Brokers are persons who buy and sell on behalf of others and are paid by a commission on their transactions. They frequently buy from the manufacturers on behalf of warehousemen and merchants, or they act between merchants in different places; often they take the name of commission-merchants or commission-agents. There are many very important classes of Brokers, *e.g.* the Bill and Exchange brokers, Stock brokers, Ship and Insurance brokers. Colonial brokers deal in all colonial and foreign produce except corn, which is dealt in by Corn brokers. Bullion brokers are an important class of London dealers in the precious metals. There are also Brokers of diamonds and pearls, etc.

Most large firms have also Buyers, Salesmen and Travellers.

Buyers are employed to purchase goods wholesale on

behalf of the firm. They need the utmost judgment and discrimination, and many have to buy at their own risk—the firm having the right to refuse their purchases.

Salesmen are employed to sell goods in the warehouse.

Travellers go from place to place soliciting orders of the retail Tradesmen.

Retailers.—Through the agency of factors, brokers, and travellers the goods reach the Retail dealers—the tradesmen and shopkeepers. These sell goods in small quantities to the general public. The difference between wholesale and retail Trade should always be kept in mind; wholesale Trade is not for the general public but between warehousemen—or merchants and tradesmen. The transactions between tradesmen and the Public are at retail prices, which are higher than wholesale prices—the difference being the tradesman's profit. There is also a great difference in the quantities supplied wholesale and retail. The tradesman purchases large quantities of goods thereby getting specially advantageous terms as a rule. The purchasers in the shops are continually buying small quantities of the tradesman's large stock—the turnover resulting in profit.

The Machinery of Distribution.—Facilities for production are of little value without facilities for the transport of goods. This is the reason which formerly made rivers of such immense value and which still causes them to hold an important place in the trade of countries. A far larger estimation is now given by merchants to the sea and its capacity for the conveyance of goods. Shipping and steam have *made* foreign trade in a very real

sense; for without them there could have been but little of it. The application of steam to railways has produced the same expansion in inland trade as the steamship produced in foreign trade.

Let us trace the effect of these great agents of transit. Goods made in the centre of France, and intended for England, would be sent to the coast by river or canal, or by rail—the latter being much the quicker, though not the cheaper. On reaching the French coast it would be transferred to a sailing vessel or a steamship and taken to London in a few hours. There the consignee would unload and warehouse the goods. He would then announce by circular to his usual customers the fact of his having certain goods on hand suitable for purchase. If they were in need of these goods the customers, either directly or through their London agents, or by letter, would instruct the warehouseman or broker to send them certain specified quantities. On receipt of this order the merchant would transmit the goods by rail as the best means of conveyance, and through the agency of the Railway company they would be delivered at the place of business of the customer—the invoices and accounts being sent by post in due course.

In the case of countries with less railway facilities rivers, canals, and beasts of burden, are largely employed to bring the goods to or take them from the coast. Thus the railway and the steamship, supplemented, when advantageous, by the river or the canal, are used constantly for the purposes of trade.

Inland Trade (*i.e.* the exchange of goods made in any country in the country itself) is chiefly carried on by means of the Railway—goods also being taken by sea as a cheaper means of carriage. Coal is often taken by canal, but most frequently by rail.

Retail Distribution in towns is usually made by messengers or tradesmen's vans. Shopkeepers are most obliging in this way, delivering the smallest parcels to the most extreme parts of any large town free of charge.

Carriers supply the small villages grouped round the larger towns whenever the railway does not serve.

The Settlement of Accounts.—Commerce could not have extended as it has if there had been no increase in the facilities for rapid communication and the safe transmission of money or its equivalent.

The Postal Service in its many branches has done great things for trade in enabling merchants freely, quickly, and safely to give orders, receive advices, and settle accounts.

The method of settlement is in one of the following ways.

1. Foreign Trade.

Bills of Exchange are chiefly employed as the medium of payment between merchants in different countries; they are documents drawn on a Banker or an Agent ordering him to pay to the persons named in the Bills the stated sums of money at certain dates.

Their peculiarity is, that after being "accepted" by the agent, the payee may indorse them and negotiate them for ready money. Thus they are a specially convenient form of payment, for they give time to the debtor to pay, and at the same time the creditor can realise immediately for a small discount.

Occasionally the Rate of exchange makes it cheaper to export money in payment of a debt.

In either case the Post-office provides means of transit both rapid and safe. Registration and Insurance are constantly resorted to as measures of protection.

2. Inland Trade.

Bills of Exchange, Bank notes, cheques, Post-office orders, and Postal Notes are used for the payment of accounts.

The chief instrument is undoubtedly the cheque, though Postal Notes are also largely employed.

The wide-spread use of the cheque has produced the clearing system, by means of which London Bankers, and Country Bankers through their London Agents, clear the cheques they hold on other Banks without the passing of any coin whatever.

CHAPTER II.

OFFICE-WORK.

The clerical work involved in large transactions is so great that the duties required of clerks, and the methods necessary in offices, are becoming more and more varied and complex every year.

For clerks, bookkeepers, and cashiers, etc., guarantees are now required for the prevention of fraud among employés. There are Security associations formed to which the assistants, in large offices and institutions, are bound to subscribe. If any subscribing clerk defrauds his employers, on discovery the society must make good the deficiency.

One modern development of some importance is the employment of ladies in offices. The Post-office, Rothschild's, and Baring's, and many other large firms employ ladies as clerks, etc.

At present Banks do not employ lady clerks.

Correspondence.—This forms a most important department of every business house. Great attention is paid to

the preservation of letters. The plan adopted is something like this:

1. Letters Received.

These are daily folded lengthwise, endorsed with the names of the writers and the dates, and put into pigeon-holes lettered from A to Z. At fixed times (the frequency of which depends on the mass of correspondence), the holes are emptied and the contents sorted so as to ensure letters from the same firm being together, or so that letters of the same date may be together. The sorted bundles are then tied and put away in a place easy of access.

In this way any letter required for reference can be produced without delay.

2. Letters Sent Out.

Merchants and Traders retain copies of all important letters written by them. The copying is now done by the copying-press; one or more copies being taken by pressing the letter between damp sheets of paper. The copying books are provided with a blank index and numbered pages. Each morning a junior clerk indexes the copies of the previous day, so that the partners of a firm can easily refer to all letters previously despatched.

Letter-Writing is naturally of the utmost importance in business. The style of communications has often a great effect in aiding or hindering business-relationships.

The following practical rules should be attended to:

1. Practice a clear style of writing—giving each letter its due importance, and avoiding all unnecessary flourishes.

2. Endeavour to combine brevity with intelligibility—especially avoiding ambiguous phrases and long sentences. Every communication should be as simple and concise as possible.

3. Give each topic treated of a separate paragraph.
4. Place the name and address of the person written to either at the head or foot of the letter—by business men generally the head is preferred.
5. In writing sums of money figures may be used, but to prevent mistakes it is customary to write the amount in words just after the figures, enclosing the words in brackets.
6. Only use fully-recognised abbreviations.
7. In legal documents, and in Ledgers, etc., make no erasures with a knife, but draw a thin line through any error—writing the correction above as legibly as may be.

Foreign Correspondence.—With the growth of trade between nations, the importance of being able to write in foreign languages is continually increasing.

Clerks should undoubtedly, if they wish to become invaluable to their employers, study night by night one of the better Foreign Correspondents now issued for practice in composing in French, German, Spanish, etc.

The forms employed are very stereotyped, especially in the three languages mentioned above. Hence it is comparatively easy to master the commoner forms.

The French are very profuse in their polite endings to letters, and this difference should be carefully attended to.

The Germans do not use “Sir”, or “Gentlemen”, in the middle or at the end of a letter, but only at the commencement.

The Spaniards always employ very polite forms at the end of letters, and always finish with the letters S. S. (humble servant) afterwards adding Q. B. S. M. (We kiss your hands).

Shorthand.—The value of shorthand in business can now hardly be over-estimated.

Abbreviations :—

Abstract Statement	Abs. Sta
Account Current	A/C
Account Sales	A/S
Agent	Agt.
Amount	Amt.
Assignment	Asst.
Assessment	Asst.
At (prices)	@
Average	Av.
Articles	Arts.
Balance	Bal.
Bank	Bk.
Bank Post Bill	B.P.B.
Bill of Exchange	B/E
Bill of Lading	B/L
Bill of Parcels	B/P
Bill of Sale	B/S
Commission	Com.
Credit	Cr.
Creditor	Cr.
Cum-Dividend	cd.
Cost Insurance Freight	c.i.f.
Days after date	d/d
Days after sight	d/s
Debit	Dr.
Debtor	Dr.
Discount	Dis.
Dividend	Div.
Draft	Dft.
Drawback	Dbk.
Exchange	Ex. Exch.

Ex-Dividend	xd.
Free on board	F.O.B.
Gross	Gr.
Her Majesty's Customs	H.M.C
Her Majesty's Service	H.M.S
Hundred weight	Cwt.
Instant	Inst.
Interest	Int.
Invoice	Inv.
Letter of Credit	L/C
Memorandum	Mem(o).
Month	Mo.
Months	Mos.
Months after date	M/d
Months after sight	M/s
New Style	N.S.
Number	No.
Old Style	O.S.
Out of	Ex.
Per cent	%o, p.c.
Pound	£
Post Office Order	P.O.O.
Postal Order	P.O.
Postcard	pc.
Promissory Note	P.N.
Proximo (the Next)	Prox.
Quarter	Qr.
Receipt	Rect.
Sterling	Stg.
Ultimo (the last)	Ult.

Refer to Drawer R/D

Not Sufficient Funds N/S

Trading Terms, Invoices, and Bills.—A *consignment* denotes the goods sent or consigned to a merchant or an agent.

An *Invoice* is an account of goods purchased, sent by wholesale dealers to the purchaser, or of goods shipped, sent by shippers to their correspondents abroad.

An Invoice should contain the marks and number of each package, the weight, price, and terms of sale, etc.

Statements, or *monthly statements*, are accounts sent by wholesale makers and dealers to their customers, whether merchants or retailers. They contain simply the date and amount of each invoice previously forwarded during the month.

An *Account sales*, is an account of the sale of goods sent to the consigners by the consignees—*i.e.* the merchants to whom the goods were consigned for sale. It states the quantities and prices—thus giving the gross amount realised. Then the charges incurred (shipping and dock charges, commission and brokerage, etc.,) are deducted—the net amount due to the consigners being thus found.

Gross and *Net* are terms used both for the weights and prices. The gross amount of a Bill is the amount before any deductions are made: the net amount is the amount after such deductions.

The gross weight of goods is the weight of the goods and cases: the net weight is that of the goods alone. The difference is called: *Tare*. If the weight of the packages is known this is simply deducted from the gross, but if not, an allowance is made for it at so much per cwt or per hundred yards.

A further deduction is occasionally made in the shape of *Tret*, or an allowance for wear or admixture of dust. It

is always 4 lbs. in every 104 lbs. This is more usually now allowed for in the price of the goods.

Samples are portions of goods sent as specimens of the quality—they are a great convenience in business.

Goods "*on approbation*" are subject to the approval of the person to whom they are sent: if not approved they are taken back by the sender, provided they are returned in a few days. Otherwise they are considered as accepted and an invoice is sent. The most usual case of the sending of such goods is when the wholesale dealer cannot exactly supply his customer with the thing wanted, but sends the nearest he has "*on approval*."

Quotations are statements of prices sent by merchants, brokers, and wholesale dealers to customers, either at their request or of their own motion.

4. The Averaging and Balancing of Accounts.

An *Account* is the statement of business transactions between debtor and creditor.

Averaging Accounts is the process of finding the date on which the balance is due (*i.e.* the equated term of the balance from some zero date).

A *Balance* is the difference of the two sides of an account.

A *Cash Balance* differs from the balance by the interest due or the discount claimable.

The creditor receives interest on the balance from the date on which it is due to the date of settlement.

The debtor is entitled to discount off the balance for the time he pays it before the date on which it is due.

Bookkeeping.—Bookkeeping is the science of arranging commercial transactions in a series of books for the purpose of accounts.

There are three Books absolutely essential for the proper keeping of accounts by Double Entry.

1. The Waste Book—a record of all transactions, in order of Time.
2. The Journal—a technical arrangement of the Entries from the Waste Book for correct transference to the Ledger.
3. The Ledger—a classified arrangement of the Journal into various accounts.

The use of the Waste Book requires no explanation: it is ruled for one money column.

The use of the Journal is very important to prevent mistakes in finally entering into the Ledger. It is ruled for two money columns usually side by side—a debtor and creditor column—and every entry from the Waste Book is at once assigned to two accounts corresponding to two in the Ledger—the same amount being debited to one and credited to the other.

Example. I pay T. Jones £21 7s. od.

I buy goods of S. Smith £15 12s. 6d.

In first entry Jones' a/c is debtor, Cash a/c is creditor.

In second entry Goods' a/c is debtor, Smith's a/c is creditor.

The Journal.

			Dr.			Cr.		
			£	s.	d.	£	s.	d.
February.								
4	T. Jones	Dr.	21	7	0			
	To Cash	Cr.				21	7	0
7	Goods	Dr.	15	12	6			
	To S. Smith	Cr.				15	12	6

The use of the Ledger is the most important of all—it being the Book which contains the essential transactions of the firm. It is ruled on each page in two sections representing debtor and creditor sides. It contains a large number of accounts of all kinds—personal, real and fictitious.

Personal accounts are those with Persons.

Real or Property Accounts are those which show the Firm's Property—Cash, Goods, Houses, etc., Trade, and Private Expenses.

Fictitious or Nominal Accounts are those kept for the convenient information of the firm as to its position—Profit and Loss, Capital, and Balance.

Practically most merchants have separate books for all transactions of a similar character, and use the Journal to arrange only those transactions not included in these books.

Such books are:—

Bought Book—a record of goods bought on credit.

Sales Book—a record of goods sold on credit.

Cash Book—a record of cash received and paid.

Discount Book—a record of Discounts allowed and granted.

Petty Cash Book—a record of small payments subsidiary to the Cash Book.

Bill Book—a record of Bills Receivable and Payable.

Posting consists in transferring the Entries or Totals from the subsidiary books to the Ledger.

Proving the Ledger consists in Balancing the Books—there being one preliminary test and one final test of their correctness.

The preliminary test is to find a *Trial Balance*—this is

done by casting up the Dr. and Cr. sides of each account in the Ledger before balancing them, if the totals are the same and correspond with the total in the Journal the Posting is correct.

The Final Test is to draw out a Balance Sheet by bringing down the Balances of all the accounts which have not been carried to other accounts—if the two sides come to the same total the ledger is correct.

Postal Information.—*Inland Letters.* The rates of postage when prepaid are as follows, viz.:—

Not exceeding 1 oz. 1d.

Exceeding 1 oz., but not exceeding 2 oz. 1½d.

„ 2 oz. „ „ 4 oz. 2d.

And so on, at the rate of ½d. for every additional 2 oz.

A letter posted unpaid is chargeable on delivery with double postage, and a letter posted insufficiently paid is chargeable with double the deficiency. No letter is to exceed one foot six inches in length, nine inches in width, and six inches in depth.

Foreign and Colonial Letters. The postage of 2½d. per ½ oz. is now applicable to letters for all parts of the world outside the United Kingdom.

Inland Book Post. The Book Post rate is one half-penny for every 2 oz. or fraction of 2 oz. Every Book Packet must be posted either without a cover or in a cover entirely open at the ends. No Book Packet may exceed 5 lbs. in weight, or one foot six inches in width, and six inches in depth.

Post Office Telegrams. The charge is now 6d. for twelve words or less, and ½d. per word afterwards. Every word,

including the addresses, will be charged for. Names of towns and villages will be counted as one word: thus, Malvern Wells will only be counted one word; and figures will be counted at the rate of five figures to a word: thus 344, Oxford Street, will only be counted as three words. Initial Letters will still be charged for as one word, London district initials excepted.

Inland Parcel Post.—The maximum weight of a Parcel which can be sent by Parcel Post is 11 lbs., and the charge, after 3d. for the first Pound, will be *Three Half-pence per Pound*, or fraction.

These charges *cover the entire service* and leave *nothing to be paid* by the addressee *on delivery*.

The Dimensions allowed for an Inland Postal Parcel are:—

Maximum length 3 ft. 6 in.

Maximum length and girth combined, . . . 6 ft. 0 in.

No Parcel will be accepted weighing more than 11 lbs., which **MUST BE PAID FOR IN ADVANCE** by ordinary **POST-AGE STAMPS**.

A Parcel must not be posted in a Letter Box, but must be taken into a Post Office and handed over the Counter.

If posted in a Letter Box it will not be forwarded by Parcel Post, but will be treated as a letter, or as a Book Packet, if it can pass under Book Post Regulations.

Each Parcel should bear the words "PARCEL POST" in the left-hand top corner.

Post-cards are sold at 10 for 6d. (thick) or 5½d. (thin)—they are dearer singly—¾d. each.

Letter cards are sold thus: 1 for 1½d. and 8 for 9d.

The Transmission of Money or its Equivalent.—

1. *By the Post Office.* For small amounts up to £1—by Postal Orders. For larger amounts up to £10—by Money Orders, which are Inland, Colonial, or Foreign. Telegraph Money Orders may also be used in the United Kingdom.

Rates of Commission for Money Orders.—Inland Orders.

For sums not exceeding £1	2d.
„ above £1 and not exceeding £2	3d.
„ „ £2 „ £4	4d.
„ „ £4 „ £7	5d.
„ „ £7 „ £10	6d.

Foreign and Colonial Orders. Payable in Austria, Belgium, Bulgaria, Canada, Cape of Good Hope, Ceylon, Chili, Constantinople, Cyprus, Denmark, Egypt, France, Germany, Gibraltar, Holland, Hong Kong, India, Italy, Japan, Malta, New South Wales, New Zealand, Norway, Portugal, Queensland, Roumania, Smyrna, South Australia, Sweden, Switzerland, Tasmania, United States, Victoria, West Indies, Western Australia, &c., &c.

On sums not exceeding £2	6d.
Above £2 and not exceeding £5	1s. od.
„ £5 „ „ £7	1s. 6d.
„ £7 „ „ £10	2s. od.

Postal Orders, for certain fixed sums, from 1s up to £1, are now issued to the public at all Post Offices at which Money Order business is transacted at the following rates;—1s. and 1s. 6d.— $\frac{1}{2}$ d.; 2s., 2s. 6d., 3s., 3s. 6d., 4s., 4s. 6d., 5s., 7s. 6d., 10s. and 10s. 6d.—1d.; 15s. and

Broken amounts may be made up by the use of Postage Stamps, not exceeding fivepence in value, affixed to the front of any one Postal Order.

Telegraph Money Orders—Inland. Money may be transmitted between all Head and Branch Offices in the United Kingdom authorized to transact Telegraph and Money Order business. The commission is, for sums not exceeding £1—4d.; not exceeding £2—6d.; not exceeding £4—8d.; not exceeding £7—10d.; not exceeding £10—1s.

2. *By Banks.* Cheques are by far the most convenient instrument for ordinary Transactions within the United Kingdom.

Banknotes also form a most convenient method of remittance. In England these are limited to £5, but in Scotland and Ireland £1 notes are used.

Bills of Exchange form the great medium for large operations of Inland Trade, and for the great mass of Foreign Transactions, and naturally most of these are negotiated through Bankers or Discount-Firms.

3. *By actual Transmission of Bullion.* Railways charge 1/- per cent. between any two stations in Gt Britain above the usual charge for freight for carrying bullion. The Bank delivers gold at its provincial branches at 9/- per mille (4/- per mille for delivery, and 6d. per cent. for advice of the money).

Bullion sent to Foreign countries is charged according to the distance and accessibility. The cost to France is about 10 centimes per 25 francs, or 1d. per £.

4. *The Transmission of Money by Inland Bills.* Money is remitted from London to a country town by being paid into a London bank to the credit of the country

bank of which they are agents for the use of the person residing there to whom it is owed.

Money is remitted from a country town to London by being paid into a country bank to the credit of their London Agents for the use of the person residing in London to whom it is owed, *or* it is remitted to him by a bill drawn by the country bank upon their London Agents (Bankers).

Money is remitted from one country town to another by paying it into a country bank to the credit of their London Agents who will pay it to the London Agents of a bank in the other country town, and these other London Agents will place it to the credit of this country bank for the use of the person in the country place to whom it is owed ; *or* by sending direct to the person in the second country town a bill drawn by the first country bank upon their London Agents, which bill will be discounted by the second country bank in the place to which the bill is sent and transmitted to *their* London Agents for collection.

5. *The Transmission of Money by Foreign Bills.* When two merchants living in different countries have business relations the obligations between them may be met in several ways.

1. The creditor may enclose with his account, or send shortly after it, advice of his having drawn upon the debtor a bill of exchange payable at a certain date.

This bill of exchange, or one of a set, will be presented for acceptance to the debtor by the creditor's agent, or by some creditor of the original creditor, *i.e.* by the payee named in the bill.

The creditor may have named himself or order as the

payee, and in that case he will sell the bill in the place or country where he resides.

After the merchant has accepted the bill it may pass from holder to holder by sale until the date of payment arrives, when the then holder will present it for payment.

These bills, if drawn in England, when the drawer has to receive the amount in full and at once, are drawn in £ sterling, with the words inserted "exchange as per endorsement."

The drawer then receives the full amount less brokerage and, in the country, less Banker's commission.

2. If no advice of the drawing of a bill upon him arrives speedily—the debtor will send a remittance (bill of exchange) or instruct his agent in the foreign place to draw upon him. He may obtain the bill of exchange (for remittance) through his bankers, who will draw upon their correspondent, and the debtor will send the bill, or one of the set, to the creditor, who will get the bank's agent to accept it; the creditor then may sell the bill, and it will pass as before till the time of currency expires, when the last holder will be paid by the agent.

A debtor of the merchant may take the place of the bank's agent, the bill will be drawn upon him, and he must accept it.

Also the merchant may purchase a bill on the foreign place in the open market, either on account or for the exact amount—this will be sent to the creditor in the same way as before and the drawee must accept it—the bill then passing in the usual way by sale.

If the merchant instructs his own or his banker's agent to draw upon himself—the agent will do so, and offer the bill for sale in the foreign place—with the proceeds paying

the creditor. In due time this bill will be presented for acceptance to the debtor, and finally it must be paid at the expiration of its currency, three days' grace being always granted.

3. Either of the above ways may be used with indirect bills instead of direct bills, *i.e.* by buying or selling bills on other places to be sent to or from the foreign place, that they may be bought therein, or sold in the country of the debtor.

4. A merchant may also pay his debts abroad by sending gold to gold-using countries, or silver to silver-using countries. He can also send International securities to be sold abroad.

Office Duties.—A Junior clerk is usually set at once to copy simple letters and to write addresses. He must make himself acquainted with the Postal Regulations and with the use of the Press Copying Book. He will also be required to keep and index the Letter Book. Another important part of his duty will be to file and docket letters received.

Letters and Addresses.—The parts of a letter requiring special notice are (1) the Heading (2) the form of commencement (3) the ending and signature.

There are three kinds of Headings;—

(1) The Official—in which spaces for the name, position, and address of the sender and receiver are left at the top, and also spaces for the date and reference marks.

Example.

From <i>Robert Jones, Esq.</i>	To the Clerk of the Local Board,
<i>Sanitary Inspector,</i>	<i>West Ham.</i>
<i>Local Government Offices,</i>	
<i>Whitehall.</i>	Dated 1 Jan., 1893.

(2) The Commercial—in which the address of the sender is fully printed on the right, and space left on the right also for the date. Also the name of the firm is usually printed at the head of the paper on the left.

The name of the firm or person to whom the letter is addressed is always placed just *above* the commencement of the letter itself.

(3) The Private—the address may be printed on the right of ordinary note, but is usually written, and the date is almost always written.

The name of the person to whom the letter is addressed is generally at the *end* of the letter.

Note. Many firms use memorandums for much of their correspondence, arranged in the above official way, with the name of the firm printed fully on the left without any such addition as Esq.

Example.

MEMORANDUM.

From Thomas Wingfield,	To
Outfitter,	
Burslem	Date

The proper forms of addresses on envelopes, or at the head or end of letters, are:

- (1) for a Firm—Messrs. Messrs. Child & Co.
- (2) for a Private Gentleman—Esq. R. Thomas, Esq.
- (3) for a tradesman — Mr. Mr. R. Barker, Outfitter
- (4) for any professional man with title—the title supersedes the ending Esq. (Rev., Col., Dr., etc.).

The commencement of letters should be:

- (1) if entirely formal, Sir, Madam, Gentlemen

- (2) if less formal, Dear Sir, Dear Madam, Dear Sirs
(never Dear Gentlemen, or Dear Ladies)
(3) for a firm—Gentlemen.

The ending of letters should be:

- (1) if purely formal,

We beg to remain,	or	I am, Sir,
Gentlemen,		Your obedient Servant,
Your most obedient Servants,		W. Smith.
Cocks & Co.		

- (2) if less formal,

We are, dear Sir,	I am, Gentlemen,
Yours truly,	Yours faithfully,
J. Jones.	R. Thompson.

- (3) curtailed,

Yours faithfully (obediently, truly, etc.)
Thomas Moulton.

In Public Companies the rules decide who are to sign—officials should add their official designation.

J. Roberts,	W. Truman,
Manager.	Secretary.

If they sign merely by proxy for the firm they should strictly be empowered to do so by a Power of Attorney—in that case they sign *per procurationem* (per pro., p. pro, p. p.).

The Letter Book consists of sheets of tissue or copying paper bound together, and on these sheets all letters written by the firm are copied in exact facsimile by a mechanical process. This process consists in writing the letter in copying ink, and, by means of a screw-press, printing from it one or more facsimile copies in the Letter Book.

To facilitate reference to the Letter Book an *Index* is usually bound with it, and by the further device of the *Cross-Reference* the letters received from one person can be consecutively referred to.

Examples.

Index.—Wood, Green & Co. 7, 15, 25, 27, 39, 49, 55, 71, 85 ...

Cross-References—put in *coloured pencil* on the copies of the above letters in the Letter Book (in succession).

7, $\frac{7}{15}$, $\frac{15}{25}$, $\frac{25}{27}$, $\frac{27}{39}$, $\frac{39}{49}$, $\frac{49}{55}$, $\frac{55}{71}$

thus on each page you have the pages of the letters preceding and following the letter thereon.

Letters Received.—Letters may be *Filed* or *Pigeon-Holed*.

In the first method the letters are generally filed simply in order of date, and are afterwards bound in Letter Books of a suitable size.

If letters are pigeon-holed they are generally arranged according to the alphabet—thus the letters of William Jackson would be in the J hole.

The letters of the different firms are often further sorted and tied in bundles in the same pigeon-hole.

If Letters are not bound into Books, but only tied in bundles, they are generally *docketed*, i.e. endorsed with the writer's name, the date of writing and of receipt, and often some brief note of the contents.

Forms of Letters and other Documents.

I. A Paying-in Slip

PARTICULARS

Notes

Gold and Silver

Cheques on the Bank

Cheques on other Banks

London 189.....

LLOYD'S BANK, Ld.

Paid in to the Credit of

the sum of

Total £ || | | |

By

OFFICE-WORK

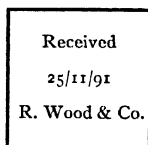
2. A Receipt for a sum under Two Pounds

Paid 25th June, 1893,
Bates & Co.

Paid in full,
Jones & Co.,
17/9/92.

3. A. Receipt for a sum over Two Pounds

PENNY STAMP



4. A Cheque

No. 17061.

No. 17061

Messrs. CHILD & Co.

On demand pay to
or order

5. A Promissory Note
6. A Bill of Exchange { for forms see pp. 38—45.

7. Letter announcing Dishonour of Bill of Exchange

Gentlemen.

We have to inform you that the undernoted bill has been duly presented for payment to ; and as it has been dishonoured we shall look to you for payment

Yours faithfully.

8. Letter forwarding Draft for Acceptance

City Bank, Limited,
15 Cornhill, London E.C.
.....189.....

.....
.....
.....
Gentlemen,

I beg to enclose a Draft on you for
..... which please accept and return to us made payable in London
I am, yours faithfully,
.....

9. Letter announcing the Admission of a Partner

.....
.....189.....
Sir,

I beg to notify to you the Admission of Mr. as a
partner in this firm, which henceforth will trade under the style of
I am, Sir,
Yours faithfully
.....

10. Letter announcing the Retirement of a Partner

.....
.....189.....
Sir,

I beg to notify you that the partnership between myself and Joseph Thompson
is this day dissolved by mutual consent, and that in future the business will be
conducted by myself and son under the style of Lomas and Son.

I am, Yours faithfully,
John Lomas.

CHAPTER III.

BANKS AND INTEREST.

Interest.—*Interest* is money paid for the use of money
lent for a certain time at a fixed rate.

The money lent is called the *Principal*.

The interest on £100 for a year is called the *Rate per cent.*

The sum of the interest and principal is called the *Amount.*

Simple Interest is interest reckoned on the principal alone.

Compound Interest is the interest accumulated from year to year by the addition of the yearly interest to the principal—the interest when added also bearing interest.

In ordinary business simple interest is the only kind largely used—first because the time of bills is usually less than a year, but also because accounts are made up every half-year, and any interest accruing is either paid or added to the balance; thus though this involves in reality the principle of compound interest yet the operation is rarely performed.

The calculation of compound interest does arise however in some very important cases—viz. the determination of Annuities, and the calculation of Life Insurance Tables.

Interest in Banks.—The leading points of importance are these:—

1. *Interest Tables* are used to avoid labour and save time, and of these there are various forms.

Laurie's tables are calculated at $2\frac{1}{2}$, 3, $3\frac{1}{2}$, 4, $4\frac{1}{2}$, 5 p.c. on every £1 up to £100, then every £10 up to £1000, every £100 up to £10000, every £1000 up to £100000 for 1 to 365 days.

King's tables are for very large amounts for 1 to 365 days at 5 p.c. There are other convenient tables, notably Rourke Jones', giving interest at rates proceeding by eighths.

In customers' accounts banks disregard or allow for the s.d.f. according as the s.d.f. are above or below 10s. in reckoning interest.

Banks never enter farthings as interest.

2. *For Current Accounts* interest is calculated by "*extend-*

ing the Decimal" or "*on the minimum monthly balances.*"

London banks give no interest on current accounts but do not charge for cashing cheques as a compensation.

Provincial banks give interest, and charge for cheques.

The term "extending the decimal" is utterly misleading—there is no decimal—the operation is simply that of multiplying pounds by days.

Minimum Monthly Balances are the lowest amounts remaining to the credit of any customers during the month—on these Interest is allowed by those banks which adopt the system. It finds favour with Scotch banks and some English banks.

3. *For Deposit Accounts* interest is best calculated by forming a table of days from a certain date for the rate of interest transformed to 5 p.c.

Shaw's Scotch Tables are an instance.

4. *To average the Income Tax* when rate has changed on Ap. 5.

Rule. Multiply days to Ap. 5 by old rate, and days from Ap. 5 by new rate, and divide by the total period of days of the interest wanted.

5. *Interest is always reckoned in days from date to date.*

The American Government and the U. S. Courts reckon 365 days to the year.

Some Continental Governments, however, reckon 360 days.

The British custom is to reckon 365 days.

Interest and Discount.—The Fundamental Principles of Business monetary transactions are that debts or obligations, as soon as they become due, should be charged Interest, and if paid before they are due they should be allowed Discount. It is customary for Traders to charge Interest and allow Discount at the same rate on both sides of an account.

Bankers give Interest on Deposits and charge it on Overdrafts.

London bankers give no Interest on current accounts but only on Deposits, subject to notice of withdrawal. As a compensation they make no charge for cashing cheques.

Country Banks usually grant Interest on current account, but charge for cheques.

Scotch Banks grant Interest on the minimum monthly balances.

The Bank of England allows no Interest whatever on Deposits.

Bankers deal largely in *Loans*.

Loans are usually lent on the security of bills of exchange and other documents of value, or on the security of property easily realisable, or on the guarantee of parties known to be solvent.

Short Loans are advances for specified periods (2 or 3 mos) and are in favour in London and Liverpool.

Dead Loans are advances with no time specified for repayment, made on the security of mills and such property. These are frequent in Manchester.

A short loan becomes a dead loan when a borrower fails to pay at the stated time.

Bankers allow their customers to *overdraw* their accounts on the guarantee of property or of parties known to them.

A *Cash Credit* is an arrangement made by a bank to advance money from time to time to a customer or person up to a certain amount. The person enters into a bond with two or more others as securities for the repayment on demand of the sums actually advanced with interest.

These have been much used in Scotland.

Partial Payments or Payments on Account.—Partial Payments are frequently made either before or after a bill is due—if before, discount is allowed ; if after, interest is charged. In the case of bonds and other interest-bearing obligations the payments are usually endorsed on the back.

Bankers are constantly loaning money for profit—in partial payments they reckon amount of debt + interest to date of partial payment, then strike off the payment and difference is new principal. Similarly in the case of banks which give interest on current account as money is drawn or put in, the difference in sum becomes the new principal. Interest, however, is not added in but put into a further column for addition at the end of the half-year—this interest is calculated for the time that any temporary principal remains unchanged at the current rate of interest.

Merchants and traders charge and allow the same rate of interest on both sides of the account.

Commercial discount is a percentage struck off a debt and not off the money paid for cash or payment before the debt is due.

The terms of an agreement may include discount within certain days.

Hence in the case of an account when partial payments are made within the time or times on which discounts are allowed—the values of these partial payments are increased, *i.e.* a given payment will pay off more debt owing to the discount granted—this is always placed to the credit of the debtor.

If such Bills are paid before they are due, the Banker will allow *Rebate* or *Abatement* according to the time to elapse before they would mature in the ordinary way.

To *clear* such a bill is to get the money for it—each bill must be presented for payment at the place named, except those payable at Clearing Bankers which are taken to the Clearing House.

Bankers are not the only Bill-Discounters, many firms and some companies are entirely or largely occupied in Discounting Bills.

Discount for Time.—*The present worth* of any sum is the principal which would amount to the given sum if put out to interest now at a given rate until the sum falls due. This is required in the calculation of Annuities.

Discount is a percentage deducted from a debt or obligation of any kind paid before it is due.

Interest is a percentage added to a debt or obligation of any kind paid after it is due.

Firms doing business with each other always give discount or charge interest according to the time of payment.

Hence discount for time is interest at a given rate for a given time—deducted instead of added.

Bill-Discounting.—A very large and profitable part of a Banker's business is the Discounting of Bills of Exchange.

The plan adopted is to strike off from the amount of the Bill the interest at the market rate of discount for the number of days the Bill has yet to run from the day of presentation to the day of maturity, three days' grace being always reckoned in the computation.

The Rate of Discount depends on the demand for advances and the gold in the market. The Bank rate largely influences the market rate, especially when the reserve is strong, but owing to competition the market

rate is generally lower than the Bank rate. Also the market rate varies for loans of differing lengths of time.

The Bank rate is decided by the Governors once a week, or oftener if necessary.

A banker may keep his Bills until they mature, or he may sell them again.

Cash Discounts, Commission, Brokerage.—*Discount for cash* is a percentage struck off a debt for prompt payment or ready money.

Commission and *Brokerage* are terms to denote a similar percentage charged by an agent on sales effected for another. The agent is often termed a broker, factor, or commission agent. He is said to act for a principal.

The question of time does not often enter into the calculation of any such percentages.

Brokers.—*Brokers* are of many kinds, but they are all “middlemen” engaged in effecting sales between parties directly or indirectly, and they all recoup themselves by charging a commission on the amount of sales.

Bill-Brokers meet at the Royal Exchange (on 'Change) for the negotiation of bills of exchange.

Stock and share brokers, if members of the Stock Exchange, go there to buy of, or sell to, the stockjobbers.

Colonial brokers engaged in the sale of tea, coffee, sugar, and all colonial and foreign produce, frequent the Commercial Sales Rooms in Mincing Lane.

Brokers for corn and grain have their head-quarters in Mark Lane.

Marine insurance and ship brokers frequent Lloyd's Room in the Royal Exchange to meet the underwriters.

The term "underwriters" arises from the way in which a broker gets a ship insured. He fills up a blank policy of insurance and passes it to various insurance representatives in the room, each of whom accepts a portion of the proposed insurance and "underwrites" it accordingly.

There is also a Coal Exchange, and in addition there are brokers of metals (bullion brokers), wool, fruit, fish, etc., each class having recognised places of meeting.

CHAPTER IV.

EXCHANGES AND BILLS.

Exchanges and Bills.—(1). An "Exchange" in commerce occurs when a person pays his creditor by transferring to him a debt due to himself from someone else.

The object of these "exchanges" is to avoid the transmission of bullion which is costly.

If A in London owes a debt to B in Paris, and C in Paris owes a debt of equal amount to D in London, it is obvious that if A were to pay D, and C were to pay B, the debts would be settled without any transfer of money.

B and C might be one and the same person, and thus for an exchange four persons and two debts are usual, three persons and two debts are necessary.

In practice bills of exchange are used as the medium of exchange.

(2). "Inland Exchange" is the remittance of bills to places in the same country by means of which debts are discharged without the transfer of cash.

(3). "Foreign Exchange" is the remittance of bills to foreign places in payment of debts, in order to avoid the transmission of money or specie abroad.

A "rate of exchange" is the value of the money of one country in that of another.

It is the custom to quote the rate between two countries by keeping one equivalent fixed and leaving the other to fluctuate.

Thus Paris *gives* to London a varying number of francs and centimes for £1 sterling. London *gives* to Madrid so many pence per piastre.

The place with the fixed price is said to *receive* the fluctuating price.

In quotations the fixed price is usually omitted.

The Foreign Exchanges.—The foreign exchanges are the rates at which the money of one country is exchanged into that of others. The intrinsic value of £1 in French money is 25.22½ francs, and is called the Mint Par of Exchange, but this is very different from the market value of £1 in francs. This value is constantly fluctuating up and down, and the study of exchanges involves the study of the causes of these and similar fluctuations.

If A owes 25,000 francs in Paris, he can transmit gold pounds and exchange it there for French money, or he can buy francs in London and transmit them; in either case there will be the cost of transmission, and it is obvious that a cheque or bill could be sent much more cheaply. Hence a debtor always tries to buy bills or cheques on the country or place in which his creditor resides. When they are plentiful, or the demand is small, he can get these bills more cheaply than when they are scarce or the demand is brisk. In the former case he will not have to pay for cheques so much as the Mint par, but in the latter he will have to pay more. There

are, however, limits to the fall and rise of exchanges; determined by the cost of transmitting bullion. It costs about 10 centimes per 25 francs to send gold to Paris; thus no man would buy cheques at 25.12 francs per £, because by transmitting gold he would get $(25.22\frac{1}{2} - 0.10 =) 25.12\frac{1}{2}$ francs per £. In the same way there is a limit to the rise—in the case of Paris 25.32 $\frac{1}{2}$. The two limits are called "Specie Points." When the rate of exchange falls or rises to a specie point, transmission of bullion is imminent, except in special cases and for temporary causes.

Another point of great importance is that the price in London of cheques on Paris, and the price in Paris of cheques on London, always tend to become identical, as being in reality the price of the same thing, viz., a fixed quantity of gold. In practice, of course these prices are constantly differing by a small number of centimes owing to the difference of information in the two cities. Two results follow—people speculate in exchanges like stocks, and the important question constantly arises whether it is better in paying debts to buy cheques or bills and remit them, or to get our agents to draw upon us and sell the cheques and bills in their own market. The principle which governs the answer is that whatever will cost us less in sterling, or get us more in foreign money, is to be preferred.

It is not so customary to deal in cheques as in bills payable at various dates. This introduces two new elements—the credit of the drawer and acceptor of the bill, and the discount due for present payment. If the credit of the parties is good, the difference of the long and short rates represents the discount due or owing for the time the long bill has to run.

It is to be observed that the short rates govern the

bullion movements, the long rates fluctuating too much on the question of credit to be reliable guides.

There are two classes of exchanges quoted in London—(1) those in which countries give variable rates for the £ sterling, (2) those which receive from London variable rates in pence for fixed foreign coins. In the former case a low exchange is unfavourable to us, and a high one favourable, and vice versa in the latter case.

The chief points to be remembered are:

1. The prices of cheques and bills follow the laws of supply and demand, just like silver or any other commodity.

2. These fluctuations in cheques (not long bills) cannot rise above or fall below the Mint par beyond the specie points determined by the cost of transmitting bullion.

3. Theoretically the short exchanges between two centres tend to become identical; practically they differ slightly.

4. Long bills involve the additional elements of the credit of the parties, and discount.

Bills of Exchange.—A Bill of Exchange is a written order for the payment of a stated sum of money at a specified time.

A Promissory Note is a written promise to pay a stated sum of money at a specified time.

Bills of Exchange are of two kinds (1) Inland Bills (2) Foreign Bills. Strictly only Bills payable abroad are Foreign Bills, but frequently a Bill from abroad payable in London is called a Foreign Bill—its strict name should be a Bill Receivable or Payable.

The Usual Forms of Bills of Exchange and Promissory Notes are:—

I. Inland Bill.

N^o. 276. £41 9s. 10d. Liverpool, Feb. 18, 1892.

Fourteen days after date pay to the order of Messrs Roby & Co, the sum of forty-one pounds nine shillings and ten pence, value received.

William Snape.

To Messrs Knight & Co.

3, Regent St., London.

II. Foreign Bill.

N^o. 1800. F. 7526. London, June 30, 1893.

Three months after date of this our First of Exchange (second and third of same date being unpaid) pay to the order of Messrs Augier the sum of seven thousand five hundred and twenty-six francs value received, and place the same to our account as advised.

R. Smith & Co.

Messieurs Rouvier & Cie,
Paris.

III. Bill From Abroad.

N^o. 1950. £480 10s. 0d.

Reichsbank, Hamburg, July 1, 1893.

Ninety days after sight of this our First of exchange (second and third of same tenor and date being unpaid) pay to the order of Messrs A. Brown & Co. the sum of four hundred and eighty pounds, ten shillings, value received, which place to the account of this Bank as advised.

Emil Schmidt, Manager.

To Messrs Child & Co.,

Lombard St., London.

IV. Promissory Note.

£150 7s. 6d.

London, May 13, 1892.

Two months after date I promise to pay Joseph Benson or order the sum of one hundred and fifty pounds, seven shillings, and sixpence for value received.

John Parker.

Bills of Exchange are drawn at a certain number of days, weeks, or months after the date or sight of the Bill, or at *usance*.

A Bill *after sight* must be seen by the person on whom it is drawn, and dated by him on his acceptance of it. It then becomes due after the stated time from this date.

Usance is a time settled by custom or usage. It is reckoned from the date of the bill or of acceptance. The time varies in different places—In London, *usance* to Spain and Portugal is 2 mos, to Holland and Germany 1 mo, to France 30 days, and to Italy 3 mos, all after date.

Double, Treble, and Half *Usance* are occasionally used.

A Half month is taken at 15 days.

A Bill *matures* or arrives at *maturity* when due.

Bills with a short time to run before maturity are called Short Bills, those of many days or months yet to run are called Long-time Bills.

To *compute* a bill is to ascertain the date at which it will become due.

It is customary in the U. Kingdom always to add 3 *days' grace* to the nominal currency of the Bill, and this must never be omitted in the calculation of Discount; *e.g.* a 3 mos' bill, dated May 1st, is not due till Aug. 4, but discount is reckoned on $(30 + 30 + 31 + 4 =)$ 95 days if cashed on May 1.

Russian Bills generally have two dates (O and N.-S.) to prevent confusion.

In computing bills, when one month is longer than the succeeding one, it is a rule not to go into the next month except for the days of grace. Thus a bill for 1 mo. without grace, dated Jan 30, would be due on Feb. 28, and with grace on March 3.

The Computation of Bills.

Months.			Days.	
13	1	January	0	365
14	2	February	31	396
15	3	March	59	424
16	4	April	90	455
17	5	May	120	485
18	6	June	151	516
19	7	July	181	546
20	8	August	212	577
21	9	September	243	608
22	10	October	273	638
23	11	November	304	669
24	12	December	334	699

1. Rule to find date of maturity when time is given in months:

Use Left-Hand Column nearest to the Names.

To number opposite the month of the date add the time in months, the resulting number gives the month of maturity.

Add 3 to date of the bill, this gives the date in the maturity month. If date is in the new year, use the 2nd left column.

Ex. 1 3 mos' Bill dated Aug. 9 $8 + 3 = 11$ Nov.

$9 + 3 = 12$ Nov. 12 *Ans.*

2 4 mos' Bill dated Nov. 27 $11 + 4 = 15$ March

$27 + 3 = 30$. Mar. 30 *Ans.*

If Leap year occurs add 1 to result if end of February is involved.

2. Rule to find date of maturity when time is given in days:

Use Right-Hand column nearest to the names.

Add 3 + time in days + date + number opposite the month of the date.

Look (in either column) for nearest number below this sum.

The month opposite is the month and the difference is the date

Ex. 1 90 days' Bill dated May 17. $3 + 90 + 17 + 120 = 230$ $230 - 212 = 18^{\text{th}}$ August.

2 60 days' Bill dated December 12. $3 + 60 + 12 + 334 = 409$ $409 - 399 = 13^{\text{th}}$ February.

3. Rule to find the number of days between two dates.

Use the right-hand column nearest to the names.

Add number opposite the later month to its date.

" " " " earlier " " *its* "

Difference = number of days.

Ex. 1. 3^{rd} May and 17^{th} August. $212 + 17 = 229$
 $120 + 3 = 123$ Diff = 106.

Ex. 2. 2 mos' Bill dated July 15 cashed Aug. 13.
 $3 + 7 = 10$. Oct. 18 $18 + 273 = 291$
 $10 + 212 = 222$ Diff = 69.

If later date is in another year use 2nd right column.

Ex. 3. 4 mos' Bill dated Nov. 20 cashed Dec. 27.
 $11 + 4 = 15$. March 23. $23 + 424 = 447$
 $334 + 27 = 361$. Diff. 86.

The Negotiation of Bills.—The person who draws a Bill on another is called the *Drawer*, and the person upon whom the Bill is so drawn is called the *Drawee*.

The person to whose order a bill is payable is called the *Payee* or *Remittee*, and the bill is said to be drawn in his favour.

When the *Drawee* has accepted the Bill he becomes the *Acceptor*. A bill for acceptance is taken to the office of the Drawee and left till the following day. The Drawee writes across the face of the bill "Accepted. Payable at & Co's." and signs his name.

The Bill is then termed an Acceptance.

The acceptance need not be written across the bill, Scotch acceptors sometimes write it at the foot, and the Acceptor's signature only without the word accepted is a legal acceptance.

Unless bills have the words "Payable at *only*" upon them they may be presented to the acceptor wherever he is, but in practice they are only presented at the place where they are made payable. If bills have the word *only*, payment can only be enforced at the place named.

Bills are transferred from one to another by Endorsement (Scotch-Indorsation). A Remittee frequently wishes to realise his money at once, or to transfer the Bill to another in payment of some liability—he thus signs an order on the back making the bill payable to that person who can again endorse it in favour of another, and so on through many hands.

The persons so transferring it are called *Endorsers* or *Indorsers* and the actual possessor of the Bill is called the *Holder*.

The endorsements are usually in this form: "Pay to the order of Messrs Jones and Co (Signed) Fraser & Hardy", and following that "Pay to the order of Mr. H. Leech (Signed) Jones & Co." etc., etc.

Sometimes they are not made *special* in this way but the signature of the Endorser is merely added; this is a

General Endorsement, but the other is preferred as a precaution against fraud.

Dishonoured Bills.—When a bill is returned for non-acceptance or non-payment it is called a Dishonoured Bill.

Two methods are open to the Holder in such cases—he may *Note* the Bill, or *Protest* it at a Public Notary's office.

The former is usually done at first, because the charges are lower, and because after being noted a Bill may be protested later on.

A Public Notary or Notary-Public is a legal official who deals with dishonoured bills, among other legal documents.

In *Noting*, the Notary takes a record of the bill and re-presents it at the place where payable: if still unpaid he attaches a ticket to it stating his charges. He is thus able to prove presentation in a court of law.

[The Statute of Limitations forbids proceedings in respect of dishonoured bills after six years, except under certain conditions.]

When a bill is not paid on presentation a *notice* is left at the place where payable stating where the money should be sent. If the bill is not taken up at the end of the day *notice* is sent to the drawer and all endorsers whose addresses are known.

To take up a bill is to take the money to the place where it is payable.

To protect a bill is to send a cheque for it if it is likely to be returned for non-payment: this cheque is attached to the bill when it comes in and through it the notarial charges are saved and the acceptor's credit is not damaged.

If a bill be drawn on a person who refuses to accept it, a merchant knowing the solvency of the drawer or one of the endorsers may accept the bill himself for the *honour*

of the drawer or endorser. If he thus accept and pay the bill he can recover the money either from the person for whose honour he acts or from all the preceding parties.

Some endorsers write on a bill "In case of need apply to Messrs — & Co." This signifies that if the bill is not paid when due, the firm named will pay it for honour of the endorser. The advantage of "a case of need" is that the bill comes back to the endorser at once, and that it also adds to its circulation.

Bill-Stamp.—All Bills of Exchange, promissory notes (other than Bank-Notes) drawn in the U.K. by persons who have not compounded for the Stamp duty must be so drawn on paper with *impressed stamps*—otherwise they are null and void. Foreign Bills require *adhesive stamps* which must be affixed before presentation—so also do Bills drawn in the Colonies, Channel Islands and the I. of Man.

Bills payable on demand must have, a 1d stamp, whatever be the amount.

I.O.U.s and Banknotes require no stamp.

The following are the stamp duties:—

	<i>s.</i>	<i>d.</i>
Agreement, under hand only	0	6
Appointment of Trustee	10	0
Bills of Exchange, Drafts, or Cheques, on demand	0	1
Bills of Exchange, Drafts, or Orders for payment, and Promissory Notes, otherwise than on demand:—		
Not exceeding £5	0	1
Exceeding £5 and not exceeding £10	0	2
„ £10 „ £25	0	3
Every additional £25 up to £100	0	3
Every £100 or fractional part	1	0

EXCHANGES AND BILLS

Conveyance or Transfer :—

	s.	d.
Bank of England Stock	7	9
East India Co. Stock	30	0

On sale of Preference and Ordinary Stock, or any other property :—

Not Exceeding £5, os. 6d. Above £15	2	0
Above £5 1 0 „ £20	2	6
„ £10 1 6 „ £25	5	0
For every additional £25 up to £300	2	6
If exceeding £300, then for every £50.	5	0
Of any kind not described above	10	0
Receipt for £2 or upwards	0	1

Kindred Paper to Bills of Exchange.

An *I.O.U.* is in this form :—

London, May 10. 1891.

Mr. A. B.

I.O.U.

Twenty Pounds

(Signed) C. D.

An *I.O.U.* does not require a stamp.

No time must be specified, otherwise it becomes a Promissory Note and would require an impressed stamp.

A *Promissory Note* is a promise to pay on demand or in a specified time a certain sum of money.

They are quite similar to Bills of Exchange in their laws and usages, but are not so common.

They may be signed severally, jointly, or jointly and severally if in the names of more than one person. If they are signed jointly the makers are only responsible together, but if jointly and severally each is liable for any defalcation among the signatories.

The person who signs a promissory note is called the *maker*.

EXCHANGES AND BILLS

The form is usually of this kind:—

“Three months after date (or sight), we jointly and severally, promise to pay to the order of A.B. the sum of pounds, shillings and pence sterling (Signed) C.D.; E.F.; G.H.; etc.”

Accommodation or *Fictitious Bills* (known as *Kites*) are drawn on persons not really debtors of the drawer. They are thus not transfers of real debts but expedients for getting loans.

They are always looked upon as bad or dubious paper—in reality bankers, etc. who discount them are *advancing* money to the drawer on the security of the endorsers.

A *Circular Note* or *Letter of Credit* is a short-dated bill, generally at 7 days' sight “without grace” (Fr. *fixé*: Sp. *precisos*), drawn by a banker at home on a banker abroad, and is issued for the convenience of travellers.

Bank Post Bills are bills drawn at 7 days' sight for sending through the post (hence the name) in the place of banknotes. They were issued first when highway robberies were frequent so that if the mail was robbed, the 7 days would give time to stop payment.

The Course of Exchange.—Payments which have to be made abroad are usually made by purchasing and transmitting a *Foreign Bill of Exchange* which directs the payment of a certain quantity of foreign coin, or the creditor may draw a bill in his own currency and transmit it for acceptance to the debtor, “as per indorsement” of the rate of exchange. Thus the foreign merchant gets the quantity named in the Bill, but the cost of such a Bill to the transmitter varies with the *Rate of Exchange* between the two countries in which the merchants live.

When the market price of foreign bills is high the Exchange is *unfavourable*, when low it is *favourable*, because *more* money will be required to purchase a foreign bill when the price is high, and *less* when the price is low.

The Price of Bills is determined principally by the Rate of Exchange and the determination of this is a complex matter.

Two chief considerations influence the Rate of Exchange.

1. The balance of indebtedness between two countries which finds expression in the abundance or scarcity of bills of exchange and consequently in their greater or less price. This is called the *Real Exchange*, and would theoretically be at Par if the Imports and Exports between two countries were exactly equal. If, however, London owed a balance of money to Paris the demand in London for bills on Paris would exceed the demand in Paris for bills on London, and thus the Price of Bills would tend to rise in London and fall in Paris.

Conversely the rate of exchange reacts upon the balance of imports and exports, for the high or low price of bills affects profits.

2. The value of the currency of one country in that of the other. This is called the *Nominal Exchange*, and is calculated on a Theoretical or Actual *Par of Exchange* determined usually by the Mint Regulations. Even when coins have been degraded, to prevent confusion the theoretical Par is assumed, the depreciation being expressed by a discount p.c.

Nominal Exchange is affected by any alteration in the currency without a corresponding change in the volume of trade: thus an over-issue of paper money depreciates it.

Computed Exchange is the Rate derived from these two factors, the Real and the Nominal Exchange, and is

equal to their sum or difference, according as they are both favourable or unfavourable, or one favourable and the other unfavourable. The sign of the result determines whether the rate is really favourable or not.

Money is not always remitted directly, advantage being taken of better rates through other countries. The operation is termed the Arbitration of Exchange.

CHAPTER V.

THE CURRENCY.

Money is a Measure of Value and a Medium of Exchange.—The System of *Barter or Truck* (still found among semi-civilised or savage tribes) had two great disadvantages, which caused its disappearance before the spread of civilisation.

1. The equivalence or exchange value of different goods was very difficult to estimate without a fixed measure of value.

2. The actual exchange of commodities was a very cumbersome and often costly operation.

The use of money obviates both these serious drawbacks.

It offers a convenient measure of value by which the equivalence of different goods may be directly or indirectly determined, and it affords a ready means by which the exchange of commodities may be practically effected.

It must not be supposed that money is necessarily gold, silver, copper, and bronze. Anything convenient as a standard of value and medium of exchange will serve, and

in fact a huge variety of things have been and still are used as money: cattle, skins, shells, leather, iron, tin, tobacco, nails, firs, have all been used; but the favourites have always been metals.

Gold and silver are best suited for money universally.

Gold is less variable in value than silver, and much more valuable, and therefore better adapted as a single standard of value.

Silver is still the standard of value in many countries. Coins of small value are made of copper and bronze (copper 95, tin 4, zinc 1). Nickel with an admixture of copper is also used.

Billon is silver alloyed with much copper—still in use in Norway and Austria.

Russia commenced coining platinum in 1828, but the difficulty of getting and melting the metal caused the scheme's abandonment.

Moneys and Bullion.—The Moneys of all countries are of two kinds, (1) Metallic Currency, (2) Paper Currency.

Metallic currency consists of stamped pieces of metal (chiefly gold, silver, or bronze) of certain weights and fineness (purity) called the standard, and regulated by law. The making and issuing of coin is usually in the hands of the Executive Government.

Private individuals frequently have the right to have any bullion coined into money on bringing it to the Mint.

In England this is done in the case of gold free of expense; in France, Germany, etc., a moderate charge is made to cover the mintage cost; in India a 2 p.c. seignorage is charged, over and above the cost, for coining silver.

Paper currency consists of Notes issued by the Govern-

ment, or by public banks with the sanction of the Government. These notes are "payable on demand" in metallic currency, and as long as they are regularly paid they are simply a substitute for coins, and have no influence on the foreign exchanges. In many instances notes have been issued beyond the power of the Government to redeem the promise to pay on demand in coin. Hence specie payment is suspended, and a law is passed making the notes legal tender, thus establishing an inconvertible paper currency, shown by a premium on metallic money and a rise in the foreign exchanges.

Very many things have been used instead of metals for money at various times in various countries.

In China they formerly used leather and bark beaten into paper. During the American Civil war bread, railway, milk, tickets, etc., were used. In Ireland IOUs for the smallest amounts were constantly exchanged.

The origin of our Banking system is found in the robbery by Charles I of the £200,000 in the Mint belonging to the merchants. After that act they placed their money in the keeping of the Goldsmiths who gave them receipts—these receipts passed from hand to hand and were known as "Goldsmiths' notes."

A Bank Note is a promissory note issued by a Banker and payable on demand.

They were once issued for the most trifling sums.

In 1774 they were first restricted to 20s., and afterwards to £5, with occasional suspensions of this latter provision—this only applies to England. Scotch and Irish banks issue £1 notes. Bank of England Notes were once issued for £1, but now the lowest is for £5, and the highest for £1000.

Bank of England Notes are legal tender, and at present are accepted as readily as Gold, owing to the great strength of the Bank. This was not always the case, the Bank having to suspend gold payments once or twice in its history.

The Coinage.—A *Mint* is a place where money is coined.

Formerly there were many mints in this country, but now only one, viz. that close to the Tower of London.

This Mint was used as a place of security for the surplus cash of bankers and merchants until Chas. I. seized the money there in revenge for a refusal of the London merchants to grant him a loan.

Coins have been made of various shapes and sizes: they are now generally circular and stamped on both sides.

To *assay* is to test the quality of different sorts of metals—though alike in appearance they often vary greatly in quality.

The fineness of gold depends on the proportion of alloy or dross it contains.

The legal weight of a sovereign is 123.274 grains.

By Law the Mint must not issue a Sovereign weighing less than 123.074 grains nor more than 123.474 grains.

The difference or *Remedy* is thus $\frac{1}{10}$ of a gr. either way, and to this extent the Master of the Mint is allowed variation.

The Mint Price of Gold is £3 17s. 10½d. per oz.

The Bank pays only £3 17s. 9d. (Bank Charter Act of 1844)—the difference (1½d. per oz.) is called *Demurrage*.

A Sovereign is legal tender so long as it weighs 122.50 grains or more, but the Half-sovereign must weigh 61.125 grains.

Any Sovereign or Half-sovereign less than these weights should strictly be returned, after defacement, to the tenderer

who must bear the loss—[Any Justice of the Peace may decide summarily disputes as to light gold]—but this is rarely done, and the loss falls generally on the presenters of light gold to Government offices or the Bank, who charge for the deficiency.

Legal Tender.—Gold is Legal Tender to any amount if the coins are of full weight. Silver is Legal Tender up to £2, pence and halfpence up to 1/-, farthings up to 6d.

Bank of England Notes are Legal Tender in England and Wales except by the Bank or its branches. No change, however, need be given.

Coins exchanged for Standard Coins at a fixed ratio, but which are of less value than the ratio given, are called *Tokens*. All our silver and bronze coins are tokens: the Gold Sovereign being the Standard of value. The silver coins are over 25% and the bronze coins over 75% less than their nominal value. In consequence of being mere tokens they circulate legally if simply worn with no defacement—the loss through wear and tear being borne by the Government, no deduction being made when the coins are presented to the Bank.

Carat is a weight of four grains used to estimate the fineness of gold. Strictly it is the 24th part of an oz. Troy, but the proportions are alone essential in calculating the fineness.

Pure Gold and Silver are so soft that an alloy of copper is necessary to give a sufficient hardness.

Silver is estimated in oz. and dwts. per lb. T.

Silver is coined in England in the proportion of 11 oz. 2 dwts. of silver to 18 dwts. of copper in a lb. Troy, *i.e.* in the proportion 222 : 18 (37 : 3). Gold is coined in the

proportion of 22 carats of gold to 2 carats of copper in a lb. Troy, *i.e.* in the proportion 11 : 1.

Sterling is a corruption of *Easterling* (an inhabitant of the Eastern part of Germany) and has now come to mean good, lawful English money.

The Pound Scot is only $\frac{1}{12}$ of the Pound Sterling, and is therefore 1s. 8d. in value; its use is quite gone out.

The Standard of Value.—*Picking, culling, garbling* are terms which mean that good new coins are melted down and old worn ones passed into circulation.

Comparatively few people melt, hoard, export, or convert gold to other uses; but in doing so they retain the new heavy coins and circulate the old light coins. The majority of people take heavy or light money indifferently for the purposes of exchange, and thus the action of the hoarders, etc., is to reduce the good money and increase the bad money in circulation.

In this way *Gresham's Law*, enunciated by Sir Thomas Gresham, arises, viz:—Bad money drives out good money, but good money cannot drive out bad money. Or in another form:—an overrated currency will drive out an underrated currency.

The Effects of this Law caused the Adoption of a Gold Standard in this country in 1816. In Chas. II.'s reign gold was brought from the Guinea Coast and coined into Guineas of 20 shillings, but more gold than the nominal value was put in them. In Anne's reign their market value was 30s. In George I's reign, Sir I. Newton estimated them at 20s. 8d. (1717) but they were made current at 21s. and the mint price of gold was fixed at £3 17s. 10½d. per oz. Hence gold was over-estimated and silver under-esti-

mated by 4d. in the £. Gresham's Law therefore came into operation: debts being paid in Gold as cheaper medium, and silver being exported. Thus Gold increased and came to be the measure of value in England, and in 1816 it was declared the Sole Standard of value—the Sovereign being issued at a fixed weight of gold— $\frac{1}{12}$ fine—and the shilling being reckoned as $\frac{1}{20}$ of the £ in value without regard to its intrinsic value.

The coins issued are (1) Gold: £5, £2, £1, 10s. pieces.

(2) Silver: crown, double florin, half-crown, florin, shilling, sixpence, threepenny.

The groat (4d), twopenny, and penny silver pieces are now struck only in small quantities as Maundy Money.

(3) Bronze: Penny, Halfpenny, Farthing (Fourth-thing).

The **Pix** is a box containing samples of coins kept for the purpose of Testing. The Trial of the Pix is conducted by a jury of freemen of the Goldsmiths' Company in the presence of the Warden, Master, and Comptroller of the Mint.

Circulation is the passing of currency from hand to hand.

Currency is money (of any form) which passes current in a nation. Paper currency consists of bank notes, cheques, bills of exchange, warrants, coupons, etc.

Metallic currency consists of gold, silver, bronze, nickel, copper, etc., or any metal used as coin.

Bullion is uncoined gold and silver. Some Eastern countries still use money by weight.

Specie is coin in circulation.

The Standard is that form of currency on which all the other forms are based. In England gold is the sole Standard of value, silver and bronze coins being only *tokens* representing fractional parts of the Sovereign.

In many countries silver is the Standard, and in some both gold and silver are Standards, or the ratio between them is fixed in some indirect way, or there is a direct ratio legalised.

In regard to *value* it is to be noticed that *the value of money varies inversely as the price*. (H. D. Macleod).

Bimetallism (bis metallum) is the theory which advocates a double Standard of currency (gold and silver) with a fixed legalised ratio between them. This idea has been found to produce great difficulties in practice, owing to the variation in the relative values of gold and silver—the fact being that the ratio usually taken— $1 : 15\frac{1}{2}$ —is far too high. Silver has much *depreciated* in value, owing to its abundance, while gold has slightly *appreciated*.

The *Actual* value of currency (paper or metals) often sinks below its *nominal* value, and occasionally rises above it.

In the former case it is said to be *depreciated*, and in the latter to have *appreciated*.

A depreciated currency (paper chiefly) usually arises from two causes: (1) a tampering with the coinage, (2) the issue of paper beyond the power of a Government to redeem.

Modern Coinages.

			Gold Mint value.
France	100 centimes = 1 franc		9½ <i>d.</i>
Belgium	100 centimes = 1 franc		"
Switzerland	100 centimes = 1 franc		"
Italy	100 centesimi = 1 lira		"
Greece	100 lepta = 1 drachma		"
Spain	100 centesimos = 1 peseta		"
Servia	100 paras = 1 dinar		"
Bulgaria	100 stotinkis = 1 leva		"
Roumania	100 banis = 1 ley		"
Portugal	1000 reis = 1 milreis	4 <i>s.</i>	5¼ <i>d.</i>
Germany	100 pfennige = 1 mark		11¾ <i>d.</i>
Austria	100 kreuzers = 1 gulden	1 <i>s.</i>	8 <i>d.</i>
Holland	100 cents = 1 florin		"
U. States	100 cents = 1 dollar	4 <i>s.</i>	1½ <i>d.</i>
Russia	100 kopecks = 1 rouble	3 <i>s.</i>	1½ <i>d.</i>
Norway	100 öre = 1 crown	1 <i>s.</i>	1 <i>d.</i>
Sweden	100 öre = 1 crown		"
Denmark	100 öre = 1 crown		"
Gt. Britain	240 pence = 1 £ sterling		
Turkey	100 piastres = 1 £ Turkish	18 <i>s.</i>	0¾ <i>d.</i>
Egypt	100 piastres = 1 £ Egypt.	20 <i>s.</i>	3½ <i>d.</i>
India	16 annas = 1 rupee	1 <i>s.</i>	10½ <i>d.</i>
Ceylon	100 cents = 1 rupee		"
China	1000 cash = 1 tael	6 <i>s.</i>	6 <i>d.</i>
Japan	100 sen = 1 yen	4 <i>s.</i>	1 <i>d.</i>
S. America	100 centavos = 1 peso	3 <i>s.</i>	9 <i>d.</i>
Brazil	1000 reis = 1 milreis	2 <i>s.</i>	3 <i>d.</i>
Mexico	100 centavos = 1 peso	4 <i>s.</i>	0½ <i>d.</i>

The column of Mint values must be read with the caution that it gives the gold values. The silver values

depend either on the $15\frac{1}{2} : 1$ ratio, or on the market price of silver. The mint value of any silver coin on the $15\frac{1}{2} : 1$ ratio, or when taken as a token, is very different from its market value.

In Great Britain, France, and Germany the Standard is Gold; but the silver five-franc and the old silver thaler circulate respectively in France and Germany at the double valuation: *i.e.*, they are legal tender for gold in the ratio of $15\frac{1}{2} : 1$, a ratio now very much too high.

In India, China, and Japan silver is practically the Standard, but quite recently the free coinage of silver has been suspended in India, and the maximum value of the rupee fixed at $\text{£}1\frac{1}{8}$ (1s. 4d.).

In the United States the Standards are gold and silver, but great changes in the Law are imminent.

France, Belgium, Switzerland, Italy, and Greece form the Latin Union with coins of the same weight and fineness. Spain, Servia, Bulgaria, and Roumania have adopted the same system of coins, but they have not joined the Union.

The Money Market.—Gold and silver are merchandise as well as media of exchange, and circulate by sale and purchase quite as naturally as other goods.

This causes necessarily the formation of a Money Market for the convenience of buyers and sellers. It is constituted of bankers, bullion dealers, discount brokers, etc.

Quotations and Newspaper Reports.—The extracts following are from the *Daily News*.

The first is a type of the daily quotations for rates of discount, loans, and bullion operations.

The fine rates are for Bankers' Bills of a good class.
The Trade rates are for mercantile Bills.

Daily News, Sept. 9, 1893.

"Rates of discount hardly moved at all in the market to-day, and have no discoverable tendency, short money remaining $2\frac{1}{2}$ to 3 per cent. Continental exchanges are a shade less favourable, but not nearly low enough to divert the gold which is about to arrive here.

Bank Rate (discount) 5 p.c.

Mrkt. dis., 60 days' (fine)	3	p.c.	(trade)	3½ p.c.	
Do. 3 months "	3	p.c.		"	4 p.c.
Do. 4 months "	3— $\frac{1}{8}$	p.c.			
Do. 6 months "	3— $3\frac{1}{8}$	p.c.			4

Loans to bill-brokers, day to day $2\frac{1}{2}$ —3 p.c.

Do. do. for one week . 3 p.c.

Last rate for fortnight, loans to stockbrokers . 4 —½ p.c.

Deposit allowance (banks) $3\frac{1}{2}$ p.c.

Do. do. (discount houses) at call . 3 p.c.

Do. do. do. at notice $3\frac{1}{4}$ p.c.

At the Bank to-day 8,000*l.* bar gold was bought. Bar silver has risen $\frac{1}{4}$ d. to $34\frac{1}{4}$ d., and dollars $\frac{1}{4}$ d. to $33\frac{3}{4}$ d. an oz."

The second gives the daily quotations at the various places as telegraphed to London for rates of exchange on London.

The fixed prices are understood.

"Exchanges on London (telegraphed from)—Paris, 25.18; Berlin, eight days, 20.39; Frankfort, 20.39; Vienna, 119.30; Hamburg, three months, 20.33½; Amsterdam, 12.07; Bombay T.T.'s, 1*s.* 37-16d; Calcutta T.T.'s, 1*s.* 37-16d.; Hong-Kong, 2*s.* 10½—¾d.; Shanghai, 3*s.* 11½—½d.; St. Petersburg, three months, 94.65; Greek, 35.25, nominal; Rio Exchange, 11¼d. (bank); Chilian, 18¾d.

On 'Change to-day bills on France, Belgium, and Holland were dealt in at prices ruling on Tuesday last. There was a reaction in the Spanish Exchange, also a decline in the value of the Rouble. Cheques on Paris were dealt in at 25.17 to 25.18; and on Germany at 20.39 to 20.41. There will be no Exchange day on Tuesday, the next post being Thursday, the 9th inst.

Amsterdam and Rotterdam, 12.1 $\frac{1}{4}$ to 12.2 $\frac{1}{4}$; ditto, three months, 12.3 $\frac{1}{8}$ to 12.3 $\frac{5}{8}$; Antwerp and Brussels, three months, 25.30 to 25.35; Hamburg, 20.49 to 20.53; Berlin and German Bank Places, 20.49 to 20.53; Paris, cheques, 25.17 $\frac{1}{2}$ to 25.22 $\frac{1}{2}$; Paris, three months, 25.27 $\frac{1}{2}$ to 25.32 $\frac{1}{2}$; Marseilles, three months, 25.27 $\frac{1}{2}$ to 25.32 $\frac{1}{2}$; Austria, three months, 12.05 to 12.10; Petersburg, three months, 24 $\frac{7}{8}$ to 25; Moscow, three months, — to —; Genoa, Leghorn, Naples, &c., three months, 26.22 $\frac{1}{2}$ to 26.27 $\frac{1}{2}$; Spain, three months, 41 $\frac{7}{8}$ to 42; Lisbon, three months, 41 to 41 $\frac{1}{4}$; Oporto, three months, 41 to 41 $\frac{1}{4}$; Copenhagen, three months, 18.32 to 18.36; Christiania, three months, 18.34 to 18.38; Stockholm, three months, 18.34 to 18.38."

All rates with decimals are so many foreign coins per £, all rates without decimals so many pence per foreign coin.

Russia (on London) is so many roubles per £10.

Holland (from London) is so many florins and stivers per £.

Examples. Copenhagen 18.32 (kronas per £)
 Lisbon 41 $\frac{1}{4}$ (pence per milreis).
 Paris 25.17 $\frac{1}{2}$ (francs per £)

Bullion and Exchanges.—Bullion (especially in bars and ingots) is the chief regulator of exchanges, since when the arbitrated par obtained from the prices of bullion differs from the rate of exchange for bills by an amount

exceeding the charges of purchase, transport and sale bullion begins to flow into the country offering the better price.

Bars or ingots are preferred to coins for transport, except for places where there is no facility for mintage.

Besides the par of exchange arbitrated from the prices of bullion there exists between the countries with the same standard (*e.g.*, between this country and all the countries completely or virtually of the gold valuation) a par of exchange based upon the quantities of pure gold contained in coins of full weight and fineness. This par ($\equiv$ the number of foreign unit-coins which contain the same quantity of pure gold as the sovereign) is called the mint par, or theoretical par; it is fixed by law.

The price of bar gold in a country with a gold standard cannot differ much from its mint par, *i.e.* cannot be at a considerable premium or discount; thus the mint par and the par arbitrated from gold prices will be almost always identical, but in reality they are distinct.

The mint pars, or more strictly the arbitrated gold pars, govern the short exchanges between England and the countries of the gold valuation.

The two limits between which these short exchanges can fluctuate are found by adding to or subtracting from the above par of exchange the cost of shipping gold from one place to the other. These limits are called the "specie points", or "bullion points", and exist for every one with some slight variations due to facilities in business, etc.

The specie points are of great importance to the commercial community, because if the short exchanges rise or fall to them, gold will be exported or imported, and any large movement of gold affects the rate of discount.

CHAPTER VI.

BANKING AND BANKS.

Banking and Banks.—Merchants and Traders would find it unsafe and unprofitable to keep large sums of money in their own hands, and to avoid this they entrust their chief moneys to a Banker, who stores it safely, and is bound to pay it out as the customer directs.

The word "Bank" is derived from Italian banco, = bench, and arose from the fact that the Lombard Jews who commenced banking in the year 808 kept benches in the market places for exchanging money and bills.

A Banker's business is to take charge of his customers' money, to receive and pay cheques on their account, to collect the money for their paper, and to discount bills.

A Banker's profits arise from interest on loans, discounts, commission, and investments.

The Bank of England.—The mint was formerly the depository of the merchants' cash, until Charles I seized the money therein in 1640. From that time the Goldsmiths acted as bankers, and this custom was the origin of most of the older private banks.

The Bank of England was founded in 1694 through the exertions of William Paterson. Forty capitalists agreed to lend £1,200,000 to the Government towards the war with France, in return for a charter. They commenced business on Jan. 1, 1695, under the style of "the Governor and company of the Bank of England."

The Bank stopped payment in 1696 when their notes fell to a heavy discount; this, however, was only tempor-

ary. In 1797 the Rest, or Bank Reserve, fell to £1,272,000, and cash payments were suspended. A Restriction Act was also passed prohibiting the Bank from paying cash except for sums under 20s. Their notes consequently fell to 14 p.c. discount. Cash payments were not resumed till Peel's Bill (1819) enacted that on and after May 1, 1823, the Bank must pay gold for their notes.

Meanwhile, from 1797 they issued one-pound notes, which were withdrawn in 1821 on the resumption of specie payments; most of the country banks had also issued one-pound notes; but in 1826 the Government ordered the issue of such notes to cease in 1829; since which date five-pound notes are the lowest issued.

In 1825, however, the Bank again issued one-pound notes, because their bullion reserve against 23 millions in notes was only £1,026,000; this measure saved them from stopping payment.

The First issue of £5 notes was in 1793.

The Notes of the Bank of England were made legal tender in 1833.

Sir R. Peel's Bank Charter Act of 1844 renewed the charter until the debt of the country to the Bank of £11,015,000, with interest, should be paid. The Note issue was limited to £14,000,000 upon securities set apart for the purpose, of which the above debt forms part. No notes beyond £14,000,000 can be issued, except against gold coins or bullion deposited in the Issue Department.

The Bank issues notes and coin: it manages the business of the National Debt, effecting the Transfers and paying the Interest: it keeps the banking accounts of the Government and of a great part of the general public. All the large bankers keep balances at the Bank for the

daily adjustment of the Clearing House claims. It is the only practical channel by which gold reaches the mint—buying gold at £3 17s. 9d. per oz., and selling sovereigns at £3 17s. 10½d. per oz.

The charter has been renewed and modified several times. In 1825 its monopoly as a Joint Stock Bank was abolished—banks of the kind being allowed at not less than 60 miles from London. The first started were at Lancaster, Bradford and Norwich. In 1833 the Bank's Joint Stock monopoly was abolished as regards London. As a result, in 1834, the London and Westminster; in 1836, the Union Bank of London; and in 1839, the London Joint Stock, and the London and County Banks were started.

All through these changes the Bank's opposition was persistent and occasionally very shabby.

Country Banks.—The first country Bank recorded is the Gloucester Old Bank, started, in 1714, by a miser named Wood and his grandson James Wood.

There were few private country banks till after the war with America.

Country Banks receive deposits on interest, discount bills for their customers, and, through their London Agents, transmit money to all parts, and receive dividends; many of them issue Notes of their own called *Country Notes*. Most country bankers have London Agents, and their Notes are payable at the London as well as at the Country Banks. If they are only payable at the Country Bank they are called *Local Notes*.

Joint Stock Banks.—It was not till 1826 that the Bank of England's monopoly as a Joint-Stock bank was

modified—such banks being allowed at 60 miles from London or more.

These Joint Stock banks grew very slowly in number till 1833, when the restriction as to distance from London was abolished. In consequence of this the larger London Joint Stock banks were formed—but under enormous difficulties, till the Joint Stock Banking Act of 1844. In 1857 the Act of 1844 was greatly improved and extended—more particularly the principle of Limited Liability was applied to Banks. Previously to this, except in the case of chartered Banks, shareholders had been liable to their last shilling; but under this Act their liability was limited to the amount of their shares. Many banks have availed themselves of this Act.

Colonial Banks.—The British Colonies have started a good many Joint Stock Banks.

There are now Indian and Colonial Banks with a capital of £43,000,000.

Most Bankers in the U.K. issue drafts on the leading colonial and foreign Banks.

By a Permissive Act, passed in 1825, the shareholders of most India, China, and Australian banking corporations in London are liable for double the amount of their shares.

Scotch Banks.—The Bank of Scotland was founded in 1695 with a Monopoly for 20 years.

The British Linen Bank was incorporated in 1746 for the manufacture of linen, but this was soon abandoned for banking only. Subscribed capital £500,000.

The Commercial Bank of Scotland was established in 1825.

These Banks (including the Bank of Scotland) have branches all over the country.

The issue of one-pound Notes is legal in Scotland, and they are the commonest form of currency.

Bank of England Notes are not legal tender.

Irish Banks.—In spite of many efforts to found a National Bank in Ireland it was not till 1783 (Geo. III) that such a Bank was started, under the style "Governor and company of the Bank of Ireland". At first only Protestants were directors, but at the beginning of this century Catholics were admitted.

The Bank has branches all over the country.

Irish Banks issue one pound notes.

The Fixed Issues.—The issue of Notes by the Bank of England and all other banks is regulated by law.

The figures for 1889 are:—

Bank of England.	£16,200,000
91 Private Banks in England and Wales	3,166,393
42 Joint Stock Banks	2,144,513
10 Banks in Scotland	2,676,350
6 Banks in Ireland (Unaltered since 1844)	6,354,494
Total	£30,541,750

Clearing.—The inconvenience of making large payments in coin has led to the large use of paper currency in commercial transactions. Other reasons for using paper are the expense of transmitting coin; the risk of robbery, and of counterfeit and light coins; and the difficulty of safely storing large sums of coin.

A man would generally prefer to receive a debt of £10,000 in bank notes than in gold.

Not only, however, is the transmission of money avoided as much as possible, but even the passing of paper is largely avoided by means of the principle of debt cancelling debt.

If A owes B £1000, and B owes A £983 : a cheque from A to B for £17 would settle both debts; similarly, if A owes B £1000, and is owed by C £950, to whom B owes £1000—a cheque from A to C for £50 would settle all the debts.

This principle has received its greatest development in the Clearing House System by which Bankers' debts amounting to about 20 millions daily are liquidated without the intervention of any bank-note or coin.

London Bankers soon found it inconvenient to settle their differences by paying the whole claims in Bank of England Notes and Gold. At first their clerks made exchanges in the street, and then in public-houses; but the insecurity of such methods was quickly apparent, and in 1775 a few of the city bankers hired a room for settling their mutual debts; the room was in Post Office Court leading out of Lombard-street, and was called the *Clearing-House*. This was a private arrangement and did not all at once meet with favour, some of the chief bankers refusing to co-operate. The advantages, however, soon became known, and rules and a committee of management were formed.

The system adopted is the following:—

Each clearing banker has his cheques and bills on other clearing bankers all sorted and entered in "Out-clearing Books" under the name of the bank where payable. These are taken at stated hours of the day to the Clearing-

House and delivered to the clerks of the banks concerned who enter the claims on their respective banks in the "In-clearing Books". The drafts are then taken to the various banks for examination and entry in their books; any refused payment are called "returns" and are taken back to the Clearing-House the same day, and given to the clerks of the banks presenting them for payment.

At the close of the day the clearing-clerks add up the whole of the claims upon the banks they represent and see by the "Out-clearing Book" their claims on other banks. The difference is the Balance due or payable. The various balances are all entered in a general balance sheet by the superintendent of the house, and each balance is paid by drafts on the Bank of England—each clearing banker having a drawing account for this purpose.

Formerly the Balances were paid in Bank of England notes and gold, but the late Charles Babbage suggested the payment by drafts on the Bank of England, and as these are not cashed, but debited, and credited to the accounts of the clearing Bankers, these colossal debts are settled without the passing of a coin or note.

The totals of the debts so settled amount per week to from 120 to 140 millions.

The clearing system was the origin of the plan of *crossing cheques*: for in addition to the endorsements on the back, of the holders, for purposes of identification, the names of the bankers claiming the money on their behalf were written across the face. The protection afforded by this custom against fraud was soon appreciated and has received legal sanction.

Admission to the Clearing-House is not easy to procure. All Joint Stock banks were excluded until 1854, and even

then many banks had to wait a long time before being admitted.

The Bank of England did not join till 1869.

None but London Bankers are admitted, and, except through agents, none but City Banks belong to the House.

In fact the Clearing-House is a very close corporation indeed, and great obstacles are placed in the way of some important banks joining.

West End bankers are excluded except through agents, and the mutual debts of the West End and City Banks cash their drafts in the old way of sending them by their out tellers to be presented over the counters of the paying banks.

Plans for West End clearing have been proposed. All banks having branches in London have agents in the Clearing-House, and most Country Banks have London agents who are in the Clearing-House.

There are Clearing-Houses also in many important towns.

The Country Clearing System was introduced in 1858 on the suggestion of Mr. William Gillett.

By it each country banker sends all his drafts (payable in various parts of the kingdom) to his London agent, who presents them through the Clearing-House to the London agents of the banks on whom they are drawn.

London Clearing Bankers.

Alliance Bank Limited.

Barclay, Bevan, Tritton, Twells, Ransom & Co.

Bank of England.

Brown, Janson & Co.

Central Bank of London Limited.

City Bank.

Consolidated Bank Ltd.
 Dimsdale, Fowler, Barnard & Co.
 Fuller, Bamburg & Co.
 Glyn, Mills, Currie & Co. Ltd.
 Imperial Bank Ltd.
 Lloyds, Barnetts & Bosanquets' Bank Ltd.
 London Joint Stock Bank Ltd.
 London & County Bank Ltd.
 London & South Western Bank Ltd.
 London & Westminster Bank Ltd.
 " Southwark Branch.
 Martin & Co.
 National Bank Ltd.
 National Provincial Bank of England Ltd.
 Prescott, Cave, Buxton, Loder & Co.
 Robarts, Lubbock & Co.
 Royal Exchange Bank Ltd.
 Smith Payne & Smith.
 Union Bank of London, Ltd.
 Williams, Deacon & Co.

The Bank of England is the Clearing Agent of all the
 Scotch Banks with branches in London, and also of
 The Bank of Ireland,
 Child & Co,
 Goslings & Sharpe.

Bank Holidays.—The Bank Holidays Act was passed
 in 1871 through the efforts of Sir John Lubbock, M.P.
 England, Wales, and Ireland:—

Easter Monday
 Whit Monday
 First Monday in August
 Boxing Day (Dec. 26)

Scotland :—	New Year's Day } or Monday following Christmas Day } if Sunday Good Friday First Monday in May " " " August
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The National Debt.—The Origin of the National Debt is found in the two dishonest acts committed respectively by Charles I and Charles II. The Mint in the Tower had long been used as a secure place for the surplus cash of bankers and merchants, when, owing to the refusal of the City of London to grant him a loan, Charles I seized the £200,000 then in the Mint. From that time the London Goldsmiths used the Exchequer as a place of deposit for their funds until, at the base suggestion of Lord Ashley and Sir Thomas Clifford, Charles II closed it and seized £1,500,000, of which £1,328,526 belonged to the merchants. In spite of strong remonstrances Charles could only be induced to allow 6 p.c. interest as a set-off on what he was pleased to call "the Goldsmiths' debt". This Interest was only paid for a few years, but after a long Lawsuit judgment was given against the Crown. Even then, however, justice was only half meted out, for the Act of 1699 guaranteed only 3 p.c. interest with the option of redeeming the debt by the payment of one-half, viz £664,263.

This was actually paid, and forms the first item in the National Debt.

Another Item of the Debt is £11,015,100 lent by the Bank of England. For this they received 3 p.c. interest until the year 1891, when the rate was reduced to 2½. Until this is paid off the Bank Charter remains in force. The Government also owes the Bank of Ireland £2,630,769. These Banks manage the Government Financial operations

in the two countries, and receive payment for doing so—the Bank of England £200,000 and the Bank of Ireland £13,000.

The Expenditure for Wars, however, has been the principal cause of the enormous increase in the Debt.

William III's Wars with Louis added $15\frac{3}{4}$ millions.

Marlborough's Campaigns cost $37\frac{3}{4}$ millions.

George II's Wars added $86\frac{3}{4}$ millions.

The American War of Independence cost $121\frac{1}{4}$ millions.

The Napoleonic Struggle added no less than $601\frac{1}{2}$ millions.

On Feb 1, 1817, the Total Debt was £840,850,591.

This has been reduced by means of Sinking Funds on various Principles, by using Surplus Income to buy and cancel Stock, and by Annuities, until the Debt now stands at £681,080,059 (Ap. 5. 1891). Mr. Goschen's Conversion to $2\frac{3}{4}$, and ultimately to $2\frac{1}{2}$ p.c. Stock, will reduce the debt very considerably if the saving in Interest is applied to the Reduction of Debt and not diverted to other purposes at times of emergency.

The Debt Consists of Three Great Divisions.

(1) The Funded Debt. (2) The Unfunded Debt. (3) Terminable Annuities.

The Funded Debt consists of the unredeemable loans made by private persons to the British Government. They receive interest year by year, but can only recover the principal by selling out at the market price. The Government, however, has the right of paying off at par with due notice to the holders.

The following was the description of the Permanent Debt on the 31st March, 1892:—

3½ p.c.	£	225,746.
2¾ p.c. Consols	„	526,566,449.
2¾ p.c. 1905	„	4,647,799.
2½ p.c.	„	32,440,500.
Exchequer Bonds 2½ p.c.	„	418,300.
B. of England Debt 2¾ p.c.	„	11,014,100.
B. of Ireland Debt 2¾ p.c.	„	2,630,769.
Total		£577,943,663.

The vast preponderance of 2¾ Consols is due to Mr. Goschen's Conversion of Consols (Act of 1888) by which holders of 3 p.c. Consols, reduced 3 p.c. Consols, and new Threes, were offered an equal amount of the New 2¾, with a small bonus for assenting by a certain date. The holders of all but 47 millions agreed, and these have been paid off by the creation of Unfunded Debt. The Act also enacts that in 1903 the rate of Interest will be reduced to 2½ p.c. and in 1923 the Government will have the right to pay off the debt at par.

The **Unfunded Debt** consists of securities bearing interest, but redeemable by Government at certain (usually) short dates. The common forms of these securities are those of **Exchequer Bills**, Exchequer Bonds, and Treasury Bills. These loans have currency for periods varying from a few months to five or more years—and occasionally for a week or a fortnight only. They are notified to be paid off or renewed on a given day, and if not sent in on that day the interest ceases. Their price depends on the credit of the nation. Large capitalists eagerly seek after these bills, because they are readily convertible,

and are generally at a small premium to ensure easy borrowing on the part of the Government.

At present (March 31, 1892) the amount of Unfunded debt is abnormally large owing to the necessity of paying off the objectors to the Conversion Scheme of 1888—

Terminable Annuities are the chief instrument by which the Funded debt is reduced. The Treasury is empowered under various Acts to give Annuities for a certain number of years in exchange for permanent stock. Thus £1000 $2\frac{1}{4}$ p.c. stock produces £27 10s. as yearly interest in perpetuity; the Treasury will give in exchange £55 a year for 20 years, at the end of which all payment ceases, and thus in the end £1000 stock is struck off the debt.

The capitalised value of the present annuities paid by the Government stood at about $64\frac{1}{2}$ millions on March 31, 1892, but a goodly number of them will fall in from 1901 to 1904 and the debt be reduced by 66 millions.

Sinking Funds of various descriptions have been also employed to reduce the debt, and one is at present in operation: these would have been more successful if they had not been suspended so frequently on emergencies.

The consolidated Fund is also liable for claims on account of unclaimed dividends and balances in the Court of Chancery amounting to between four and five millions.

Banking Operations.—*Bank Notes.*

Bank of England notes are legal tender as long as the Bank undertakes to pay them in gold, but no change need be given.

Sovereigns can be demanded at the Bank itself or at any of its branches.

No other Bank notes are legal tender, and the receiver cannot recover except in case of forgery.

Foreign Bank notes should be sold through a broker as foreign bills.

The "stopping" of bank notes does not give a bank the right to refuse payment to the presenter if his replies as to how the note came into his possession are satisfactory. They can only inform the loser of the circumstances under which it was paid.

Cheques.—A *Cheque*, or *Check*, is an order on a Banker to pay on demand a certain sum of money. It may be payable to *bearer* or to *order*; in the first case anyone can obtain the money, in the second the person to whose order it is drawn must endorse it on the back.

No titles of courtesy should be used in endorsements—a cheque endorsed "Mr. T. Smith" would be refused payment.

Procuration endorsements are usually accepted by banks (there is no legal necessity) in the form "per pro R. Jones partner," followed by the full ordinary signature of the endorser.

Every alteration in a cheque should be initialled.

Crossed cheques are only payable to a Banker, and thus the effect of such a crossing is to minimise the risk of fraud, as a Banker would not receive such cheque except from customers.

The crossing may be merely two transverse parallel lines with or without the words "and Co."—any banker may present for payment such a cheque. This crossing is said to be *general*.

The crossing may be two parallel lines enclosing the name of a particular firm of bankers; and then only that firm may present for payment such a cheque. This crossing is said to be *special*.

To cancel a crossing the drawer (alone) must write across the cheque "Pay cash" with signature.

Cheques crossed through error with a *double crossing* would be refused payment.

Crossed cheques are additionally secure if they bear the words "*Not negotiable*," for, by the Crossed Cheques Act of 1876, such cheques can be recovered by the rightful owner in spite of their having been cashed. The Banker who pays, however, and the Banker who receives such a cheque are both protected—the loss falling on the customer presenting the cheque to his bankers. Moreover if a cheque is stopped and bears the words "not negotiable" the presenter cannot sue the drawer.

To *stop* a cheque is to give a banker orders not to pay it or not to do so without due enquiry; the drawer alone should do this.

All cheques should be presented within a "*reasonable time*" as they are accepted at the risk of the fraud or bankruptcy of the drawer, or of the failure of the bank on which it is drawn. "Reasonable time" is defined to be "before the close of business hours on the day following receipt of the cheque"—after which time he loses his claim on the drawer if the bank fail, but if the bank is at a distance he need not post it till the next day. A *post-dated* cheque is refused payment as irregular.

A *Transfer* is similar to a cheque but is not payable to a third party. They are used sometimes when the accounts of two firms having business relations are kept by the same banker.

On hearing of a customer's death, a banker must return his cheques unpaid marked "drawer deceased."

A bankrupt's cheques must not be paid.

Care must be taken to ascertain the exact state of any account before refusing payment on the ground of want of funds; when a cheque is returned for this reason it is usually endorsed "Refer to Drawer" (R/D) or "Not sufficient funds (N/S)—on no account is the deficiency to be stated. Smaller cheques may still be paid in England; but in Scotland the cheque first presented establishes a lien on the balance in favour of the holder.

Bills of Exchange.

Bankers have to exercise great judgment in distinguishing between bills arising properly from mercantile dealings and those which are merely mortgages on property, not realisable, or disguised accommodation bills.

Inland bills are those drawn and payable within the British Isles, including the Channel Islands.

Such bills are generally single (unlike foreign bills).

Every alteration in a bill should be initialled by all the parties.

Every bill should be dated.

The currency of a bill is the period before it is due.

If this is expressed in months, calendar months are meant, and three days' grace is added in the case of Bills of Exchange and Promissory Notes.

Treasury Bills and "Bank Post Bills" are the only English bills which take no grace.

At sight drafts are payable on demand without grace.

After sight drafts are reckoned from the date of the drawee receiving the bill.

If a bill falls due on a Bank Holiday it is paid on

the day after—if it falls due on any other public Holiday or on Sunday, Good Friday or Christmas Day, it is paid the day before.

The words denoting the amount decide the value of the bill—the figures are merely a memorandum.

Acceptance. No claim can be made upon the drawee until he has accepted the bill. In the case of “sets” of bills from abroad—an unaccepted bill will generally indicate in whose hands the accepted bill is—the holder of the unaccepted bill can demand the accepted bill, and if the two agree the acceptor must give it up.

A bill must be presented for acceptance without delay—at latest on the business day following the day of receipt, and during business hours if possible.

The drawee signifies acceptance by his mere signature—even on the back.

Non-acceptance. Bills refused are to be promptly returned to the owner.

An inland bill need not be noted or protested, but a foreign bill must always be protested, unless there are express instructions to the contrary.

Acceptance for honour. If a bill is refused acceptance by the drawee, or if protested “for better security” owing to his failure after acceptance it may be accepted for honour. After protest it should be presented to any “case of need” upon it, and if the case of need intervenes he should accept thus:

“Accepted for honour and account of A., B. & Co. (drawer or endorser) with £ s. d. notarial charges, and will be paid if regularly presented when due.

X., Y. & Co.

Endorsements.—In the United Kingdom a bill may be “to bearer” or “order.”

If "to order" it must be endorsed. All bills paid to credit must be endorsed by the customer. A bill payable to several persons not partners must be endorsed by all. An endorser to whom the Bill is re-endorsed cannot sue the intervening parties.

Stamps.—All bills drawn in the United Kingdom must be drawn on stamped paper. If drawn abroad the proper *adhesive* stamps must be affixed before it is circulated (not necessary on acceptance) and cancelled by the initials or name of the issuing party, and true date written across. Penalty for not cancelling the stamps £10.

Of a set *one* bill only must have a stamp for the full duty.

Presentation for payment should be made on the exact date of maturity at the place indicated; under all circumstances within the control of the holder.

If it is not presented on the date the endorsers are discharged, but the acceptor is still liable with compensation for loss due to the delay.

Promissory notes are subject to the laws of bills of exchange.

1. They must be stamped.
2. They should state the consideration (for value received, etc.).
3. They may be promised jointly, severally, or jointly and severally.

A joint note is good against all the makers together.

A several note is good against all the makers severally.

A joint and several note is good against all the makers together and severally.

A note in the form "I promise to pay" signed by several makers is considered a joint and several note.

CHAPTER VII.

STOCKS AND SHARES

Stocks and Shares.—These are the general names for property in public companies or Government securities. Strictly, the terms denote the certificates of such investments guaranteeing a share in the profits and constituting the holders part-owners in the company. Shares differ from Stocks in being indivisible, *i.e.* an investor can only purchase whole shares, whereas any amount of stock can be bought. For this reason many companies originally using shares convert them into stock for convenience of sale and purchase.

Securities consist of investments in Government Funds or in the stock of public companies. A convertible security is one which may be sold in the open market, there being no restriction upon the persons who may hold it. The chief instance of convertible securities is found in the Funded Portion of the National Debt, which consists of unredeemable stock easily purchasable in the open market—the Government being required to pay the yearly interest to the registered holders of the stock, but such holders having no claim upon the Government for the principal sum standing in their names.

The operation of “funding the unfunded debt” shows very clearly the difference between convertible and other securities. The exchequer raises money on bills for its requirements, but frequently finds it inconvenient to pay them in full on maturity: consequently it offers inducement to its creditors to agree to receive interest in perpetuity in lieu of the principal. Those who agree can no longer demand the principal from the Government, but can sell

their right of annuity in the market. Their property is now a convertible security and part of the Funded Debt.

Another very good example of changing loans and floating securities into permanent convertible securities is found in the borrowings of railway companies. These are permitted to borrow money on their bonds, termed *Debentures*, but they often find it inconvenient to pay in full, like the Government, and so turn these *Debentures* into *Debenture stock*, upon which they are only compelled to pay the interest.

A *Debenture* generally is a bond given as a security for money advanced.

Preference Shares are also issued by companies in need of further money. The holders of such shares are entitled to receive their dividends before those who hold ordinary shares.

Sometimes *New Shares* are issued to rank with the old or after them—the money being paid by calls as required. The Terms *Cum-New* and *Ex-New* are used to express the offer of old shares with or without new shares.

In the starting of companies, or new shares in a company, the shares often are not fully paid up at once, but by instalments at certain fixed dates, or by *calls* as required. If the applications for shares in a new company are more than the shares available *letters of allotment and regret* are posted to the successful and unsuccessful applicants. On the former a stamp duty of 1d per share is charged.

The *Foreign Stocks* largely patronised by investors in this country consist mainly of Loans raised at Interest by Foreign Governments.

Bonds are documents issued to holders of foreign stocks,

and Railway Debentures, etc., engaging to pay interest yearly, and to repay the principal at a specified date.

Most of these terms—stock, shares, bonds, debentures—are used loosely by business men, and generally signify Investments of a convertible kind.

Dividends are the profits paid to the holders of stocks and shares. They are usually stated as so much p.c. or per share, this signifies that the holders of so many hundred pounds of stock, or of so many shares, receive a certain amount of money for each £100 or share.

They are paid by cheques, coupons, and warrants.

Coupons are cuttings, or interest-warrants, bearing different dates, which must be cut off a Bond and presented for payment. Some are scarcely a square inch in size.

Income Tax is always deducted from the Dividends of Public Funds, Companies, etc., except when they are declared free of duty. The holders can claim a return or abatement of the Tax if their incomes are within the legal limits.

Stocks and Shares are sold with or without Dividends (Cum-Dividend or Ex-Dividend c.d. or x.d.)—generally x.d. when sold just before the dividends are due.

The *Nominal* or *Face-Value* of stocks and shares is usually very different from the *Market Value*. This varies with the prosperity of the companies issuing the bonds and with the condition of trade and credit. When the market-price is above the nominal price, the stock is at a Premium; when it is exactly that of the face-value, it is at Par; when below the nominal price, it is at a Discount.

Thus a stock would be at Par if £100 stock cost £100 in money; above Par, or at a Premium, if it cost £102; and below Par, or at a Discount, if it cost £99.

Limited Liability.—An Act of Parliament passed in 1855 gave a great impetus to joint stock enterprises, by limiting the liability of shareholders to the amount of their shares, in all companies writing the word “Limited” as part of their title. Formerly shareholders were liable to their last penny, but now a man with £50 to spare may invest it with no further risk than the £50.

Many formerly unlimited companies and private firms have been registered as “Limited Companies.”

Bonds are particular classes of stocks or shares. They are in general certified documents issued by Governments, corporations, or companies acknowledging their indebtedness, with the limits and conditions of payment and redemption of the debt. The interest is usually paid by coupons or warrants.

Firms and Companies.—A *Company* is formed to carry on a business requiring considerable capital, by the issue of shares, which may be bought by those who think it a good investment. They thus become shareholders, and are in fact the proprietors of the business. Such a company is called a joint stock company, and is usually managed by directors chosen from the shareholders.

At stated intervals (generally each half-year) the accounts are made up, and the nett profit paid to the shareholders as dividends.

A *Firm* differs from a company only in having a much smaller number of shareholders or partners who all jointly manage the concern.

Also a company is generally a *limited* one, *i.e.* one in which the liability of each shareholder is limited to the amount of his shares, whereas a firm is frequently unlimited.

A Firm or Partnership may also be defined as the union of two or more persons for the purpose of trading. The signature of one partner binds all the members of the firm, unless there is a special agreement to the contrary.

Clerks and others sign for their employers *per procurationem* thus:—p. pro W. H. Smith & Co.

Henry Jones.

This signature would not be legal without a Power of Attorney, which is a document allowing one person to sign for another. This power is useful in many cases.

Partnership.—*Partnership* is more fully defined as the association of two or more persons for business purposes under an agreement to share the profits and losses according to the capital subscribed by each and the time it is employed.

The *capital* of the firm is the joint stock (money or property) belonging to the firm and used in the business.

The *assets* of the firm are the moneys or property owing to it, the capital invested in it, together with the property and stock belonging to it (valued in accordance with stated rules).

The *liabilities* of the firm are its debts.

The *net capital* is the excess of assets over liabilities.

Shares can only be purchased in whole numbers, but any quantity of stock may be purchased. For this reason many companies change their shares into stock.

A shareholder who desires to retire from a company can only do so by selling out at the market price of his stock or shares, usually through a stockbroker, who charges a commission or brokerage.

The nominal value of a stock is by no means its market value. This depends on the credit and prosperity of the company. The market price is continually fluctuating.

Stocks are said to be *at a premium*, *at par*, or *at a discount* as the price of £100 stock is above, equal to, or below £100 sterling. Similarly shares are at a premium, at par, or at a discount as their price is above, equal to, or below their nominal or face value.

The two prices published each morning in the newspapers opposite any stock are the outside prices given or charged by a stockjobber. The jobber sells to the broker at the higher price and buys from him at the lower price. The broker sells to a customer at the higher price, with brokerage added, and buys from a customer at the lower price with brokerage deducted.

A broker's charge for Consols is 2s. 6d. per cent ($\frac{1}{4}$ p.c.), for other stocks from 3s. to 10s. per cent.

The Stock Exchange.—The Stock Exchange is regulated by a committee of 30, including the Chairman and Deputy-Chairman, chosen from among the members by ballot year by year. The members are 2,500 in number, and consist of jobbers or brokers. Jobbers are dealers who buy and sell at market prices.

Brokers deal with the jobbers on behalf of the public, and charge commission.

The Stock Exchange only recognizes its own members, and all their dealings must follow the usages of "the House."

Settlements take place twice a month, at dates arranged by the committee.

Consols, however, are settled only once—at the beginning of the month.

Stock Exchange terms:—

1. *Scrip* (Subscription) is applied to the certificates of payment of deposits or calls prior to the issue of the real bonds.
2. *Time bargains* are speculative transactions without the payment or transfer of stock or shares. At the time

appointed the parties receive or pay the difference between the then price and the price named.

3. A *bull* buys stock, for which usually he cannot pay, with a view to selling again at a higher price.

A *bear* sells stock, which usually he does not possess, with a view to buying back at a lower price.

The Americans use the terms *long* and *short* for *bull* and *bear*.

At the settlement, the difference in the buying and selling prices alone changes hands.

4. *Contango* is a sum paid per cent. or per share by a speculator for the rise, for the privilege of deferring payment till the next settlement.

Backwardation is a sum paid per cent. or per share by a speculator for the fall, to postpone delivery of shares or stock till the next settlement.

Both these are called *continuation rates*. The postponement is called *carrying over*.

5. *Options* are transactions by which a speculator limits his losses by paying a fixed sum when the bargain is made. They may be a *put and call*, a *put* or a *call*.

A *put and call* enables an operator to sell or purchase at a fixed price on a certain day.

A *put* enables an operator to sell at a fixed price on a certain day.

A *call* enables an operator to buy at a fixed price on a certain day.

The Americans use the term *spread* for a *put* or *call*.

A *straddle* is the same option at one price, whether a *put* or *call*.

6. *Arbitrage* occurs when identical securities are bought in one market and sold in another.

7. *Hammering* is the declaration of a defaulter.

The head waiter strikes three blows with a mallet.

8. *Cornering* occurs when a scarcity of stock is created to prevent a dealer from obtaining what he has previously sold except at much higher prices. The dealer is said to be *cornered*. This happens when the dealer undertakes to deliver stock or shares beyond his powers.

9. *Slang* terms and contractions are used for nearly every stock known; *e.g.* Brums, *i.e.* L. and N. W. R. Stock; Goschens, *i.e.* 2 $\frac{3}{4}$ Consols; Saras, *i.e.* Sheffield Deferred.

Outside Brokers, *i.e.* brokers who are not members of the Stock Exchange, supply their customers through the brokers who are members, the commission charged being halved between the outside broker and the member he employs.

CHAPTER VIII.

VARIOUS MERCANTILE SUBJECTS.

Customs and Excise Duties.—The *customs* are duties charged on goods imported into or exported from a country.

The *Excise* duties are those charged on certain articles for home use, and also include the licenses required in many trades (auctioneers, brewers, distillers, wine and spirit merchants, publicans, tobacconists, oil-dealers, etc). Some of these are restrictive, *e.g.* the beer and spirit licenses and the music and dancing licenses: by means of such licenses the magistrates retain some control over the number engaged in the trade and the method of conducting it.

An *ad valorem* duty is a percentage of the value: a *specific* duty is the duty on a fixed quantity (pound, gallon, etc).

A *Custom-house* is a place where customs are paid; there are such places in most of our important seaports.

A *Tariff* is a list of customs or excise duties.

A *Permit* is a document granted by excise-officers to certify the payment of the excise duties on certain goods and thus permit their removal from one place to another.

Searchers are customs-officers who taste, weigh, measure, and otherwise test goods with a view to taxation, either for imports or exports.

A ship's *manifest* is a statement of the cargo of a vessel for the satisfaction of the custom-house officers.

Clearance. Goods are cleared when the customs are paid and all forms complied with. Ships are cleared when the papers and cargoes have been passed at the custom house, permission being given to unload or sail.

A *Bill of Store* is a license to carry free of duty such stores as are necessary for the voyage—this is granted by the custom-house.

A *Bill of Entry* is a statement of the nature and value of goods for use of the custom-house. If the goods are for export, they are "entered outwards": if for import, they are "entered inwards." The collector signs this Bill when it is a "perfect entry" and this authorizes the searcher to permit the unloading or shipping of the goods. If the importer does not know the goods sufficiently to give such a Bill he applies for a *Bill of Sight*, which gives permission to view the goods in the presence of custom-house officers.

A *Debenture* is a custom-house certificate granting the exporter a bounty or drawback of duty.

Bounties are premiums paid by Government to exporters to enable them to undersell foreign rivals.

Drawbacks are remittances of duties previously paid on imports when re-exported. Merchants are thus able to export goods heavily taxed at home on the same terms

as merchants in countries with less taxes on those goods.

Rebate or Abatement is a deduction on damaged goods or warehouse losses—granted by custom-houses.

Leakage is an allowance to importers of wine for waste and damage in keeping.

Smuggling is a punishable offence as it is the endeavour to defraud the Revenue. Goods so smuggled are treated as contraband if seized and the possessors forfeit them, besides being subject to penalties.

Shipping.—The mercantile marine consists of all ships directly or indirectly engaged in trade. The application of steam to ships and the great inventions of this century have produced a marvellous expansion of the merchant service.

Wharfage is a charge for landing or shipping goods at a wharf, lighterage is the charge for conveying goods in lighters or barges. Dock warrants are certificates of the custody of goods in dock-warehouses entitling the holders to delivery of the goods. Ship's Papers consist of those required by the laws of any one nation (registry, charter party, bills of lading, bill of health, log book, etc.) and those required by International Law as evidence of neutrality.

A Bill of Lading is a receipt given by the Captain (or on his behalf) acknowledging the arrival on board ship of merchandise in good condition. They are drawn on in sets of three, one of them on stamped paper—one is sent to the consignee of the goods by the shipper, another is sent to the same from the ship, and the third is kept by the shipper. The Holder of the Bills of Lading must produce them before the Captain will deliver the goods.

A Charter-party is a written contract between the master or owner of a ship and the freighter or shipper, by which the former lets the ship to the latter for conveying goods.

Demurrage is an allowance made by a hirer to an owner of a ship for detention in port beyond the number of days stated in the charter-party for loading or unloading the cargo.

Bottomry Bonds are mortgages upon the ship itself; the owners borrow money on the security of the keel or bottom, in order to fit her for a voyage, or to buy a cargo. If the venture proves successful the money is repaid, if unsuccessful the ship becomes the property of the bond-holder.

The profits of shipowners arise from passengers and freights.

Freight is the charge made for conveyance of goods in ships. It is reckoned by weight or measure: heavy goods at so much per ton weight, light goods at so much per ton measure (40 c. ft. to the ton).

Primage is an allowance made by shippers or owners of goods to the master of a vessel for loading.

Pilotage is the charge made by the pilots for bringing vessels into or out of ports.

There are three kinds of wrecked goods:

Flotsam denotes goods floating in the sea: *Jetsam*, goods sunk: *Lagan*, goods sunk, but tied to float or buoy in order to be found again.

Salvage is an allowance for the saving of goods made to those who have aided in the work of rescue.

A Bill of Health is a certificate that the ship comes from a place free from contagious diseases, and that none of the crew were infected at the time of departure.

Quarantine is the isolation of ships and passengers arriving from infected districts, to prevent the spread of disease.

The *Log-book* is a daily record of the ship's course and of all events of importance.

The *Tonnage* of a ship is the number of tons it is estimated to carry, and this must be registered.

Registry is the enrolment of vessels at the custom-house—thus giving them the privileges of British ships.

Ships are marked A1 in Lloyd's Register, when first-class, A2 when second-class, and so on.

Ship-brokers act on behalf of shipowners and obtain cargo and passengers for vessels entrusted to them.

Insurance is a contract of indemnity against Loss.

It is also called Assurance, and there are four principal kinds, viz: Marine, Fire, Accident, and Life Insurance.

The Principle underlying Insurance is a small payment, or a number of small payments, to cover risks of wreck, fire, life, etc.; if no disaster or death happens, these payments are the profit of the Insurers, but in case of loss the Insured receives an agreed compensation.

The Money paid for Insurance is called the *Premium*.

The *Policy* is the written contract given to the assured by producing which he may claim the amount stated as his Insurance against loss. In the case of Life Policies his relatives produce it by way of claim.

Marine Insurances are contracts of indemnity against loss of ships or goods in ships, due to the sea, fire, or hostile attacks.

This form of Insurance is very ancient and came into general use, in Italy about 1300, and in England about 1550.

Marine Insurers are known as *Underwriters*, and in London for the most part belong to Lloyd's.

Lloyd's is a society composed of Underwriters and others interested in shipping. They have agents all over the world to report arrivals, departures, wrecks, accidents, etc.

Lloyd's originally was a coffee house (kept by Edward Lloyd) conveniently situated for merchants and shippers. Thus the custom of meeting for business grew up there, and 100 years after removal to Lombard St. in 1692 Lloyd's became a corporate society with membership and a subscription—and it is the most important shipping centre in the world.

The name Underwriters arises from the method of insurance. When a shipper or owner desires to insure he fills up a blank policy and presents it to a member of "the room" (Lloyd's in Royal Exchange) who underwrites a certain sum, if he cares to do so, and passes it to another, who does the same, and so on till the whole amount is subscribed. Though Lloyd's is highly important it has not a monopoly, many shippers going direct to the managers of Insurance companies which exist in most large seaports.

Insurance Brokers are the main channels of insurance business. They act between the merchants and members of Lloyd's, many of whom are not personally known to each other. The Brokers receive orders for Insurance and are responsible for carrying them out quickly and accurately.

In order to avoid making a number of small payments for the Premiums which they have to collect, the Brokers credit the Underwriters with these, and debit them with the indemnities for losses which occur—the Balance changing hands when the amount is large enough.

An Average Stater is one who calculates and states in form the proportion each person is responsible for when a loss at sea occurs.

Average is the contribution due from any owner of a ship and cargo as his proportion of loss or damage incurred

in saving the ship or cargo from total loss. There are three kinds of average: General Average is paid when the loss affects both the owners of the ship and of the cargo; Particular Average is paid when the loss is incurred for either singly; Petty or customary Average embraces smaller charges, usually reckoned at $\frac{1}{3}$ to the owners of the ship and $\frac{2}{3}$ to the owners of the cargo.

Fire Insurance was introduced just after the Great Fire of London.

The oldest office is the Hand-in-Hand.

Such an insurance secures an indemnity against loss by fire or lightning in return for an annual premium.

Life Insurance is a contract to secure a certain amount in case of death to the heirs or relatives of the person insured.

The forms of Insurance and the numerous variations in the advantages offered and in the particular methods of payment have greatly increased of late years.

Proprietary companies are those in which the profits in whole or part are divided among the shareholders.

Mutual companies are those in which the profits are divided among the policy-holders who are the shareholders. The division of profits takes place either by cash payment, additions to the policies, or reduction of premiums.

Other Insurances.—Accident Insurance Societies—one of the best is the Railway Passengers' Insurance Society.

Agricultural Societies—to insure crops and live stock.

Boiler and Plate Glass Insurance Societies.

Societies to insure the payment of rent and trade debts.

Guarantee Societies give security for the honesty of clerks and others in situations of trust.

Liability of Employers Societies—to insure Employers against accidents to their workmen for which they are legally responsible.

Annuities are yearly payments made for life, or for a certain number of years, in return for a lump sum paid down.

A Tontine is a joint annuity for several persons—the survivors getting the benefit of the decease of other annuitants until the last survivor dies.

Solvency and Insolvency.—Credit is the confidence in a debtor's honesty and ability to pay, goods being supplied to him without payment at the time on the strength of it. Solvency is the capacity to meet all claims as they become due. Insolvent is the state of those who are unable to pay their debts. Failure is the stopping of business from inability to meet liabilities. They are "large" or "small," according to the amounts involved.

Houses *suspend payment* sometimes, if there is a possibility of making arrangements with creditors for resuming business; otherwise they *stop payment* and are made *bankrupts*.

A Bill of Sale is a security for a debt given by the debtor. It gives the holder power to seize and sell off the furniture or goods of the debts. All Bills of Sale must be registered to be valid.

Bankruptcy is the state of being legally declared unable to pay one's debts. The word means "broken bench" and arises from the practice of the Italian populace of breaking the bench in the market place of any Lombard Jew who failed.

Winding up is the equitable arrangement of the affairs of a business brought to a close for private reasons, because of lack of support, or on account of bankruptcy. The business is also said to be in Liquidation, and the official or accountant conducting the arrangement is called a Liquidator.

Winding up may be voluntary, that is, done by the,

mutual consent of the parties interested; or compulsory, that is, ordered by the Court of Bankruptcy.

A Composition is that proportion of a £ which a trader, unable fully to meet his debts, agrees with his creditors to pay.

Free Trade, Protection, Fair Trade, Reciprocity.—

The Trade of a Country is Free when it is unfettered by Legislative prohibitions or Protective duties.

The first step in making our Trade free was the abolition of *monopolies*, and particularly the monopoly enjoyed by the East India Company as Traders. This was taken away for the most part in 1813, and completely a few years after.

The only monopoly of any magnitude at present remaining is the cultivation of opium, which is still carried on by the Government of India, in spite of many protests and much agitation in England.

The writings of Adam Smith, however, began much earlier (in 1776) to prepare the way for the Abolition of the Corn-Laws, and for the entire freeing of our Trade from vexatious interference and restrictive duties.

Not till 1833, however, was there any practical action, when the Anti-Corn-Law League was formed, under the leadership of Mr. Cobden and Mr. Bright. Its main object was to repeal the duty on corn, which benefited the landed interest at the expense of the poor, keeping bread at a very high price. The supporters of the Repeal were called Free Traders, the opponents Protectionists (as belonging to the society for the Protection of Agriculture).

The Corn-Duty and the Corn-Laws generally were repealed in 1846—the second great step in freeing our Trade.

The third step was the Repeal of the Navigation Laws, which took place in 1849. Previously no goods could be imported into this country except in British ships. These

Laws were specially aimed at the Dutch Carrying Trade and were on our Statute-Book for 150 years.

The main idea of Protection has always been to protect native trade and manufactures against foreign competition, and against excessive competition and production at home. The Laws were of three kinds: (1) Prohibitions, forbidding the import or export of certain commodities; (2) high duties, in order to give our makers the advantage over foreign makers; (3) monopolies to prevent over-production. Unfortunately, however, great evils seem to be inseparable from such Laws—exports are diminished, prices at home are increased and sales therefore restricted, and smuggling is largely increased.

A new class of Protectionists, calling themselves Fair Traders, has arisen of late years. They admit the theoretical advantages of Free Trade, but maintain that as long as other countries, and even our own colonies, tax our goods, we should impose duties for the protection of our own commerce and thus counterbalance the bounty system employed abroad.

Reciprocity has also been suggested, viz. that we should only admit the goods of those nations free of duty which will admit ours on the same terms.

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est. Helvetii nostrorum impetus diutius sustinere non poterant. alteri in montem se receperunt: alteri ad impedimenta et carros suos se contulerunt. ab hora septima ad vesperum pugnatum est, nec hoc toto proelio aversum hostem videre quisquam potuit.

297. Dum vires ann'que sinunt, tolerate labores:
jam veniet tacito curva senecta pede.

298. Darius in fuga, cum aquam turbidam et cadaveribus inquinatam bibisset, negavit unquam se bibisse jucundius. nunquam videlicet sitiens biberat.

299. Quid magis est durum saxo, quid mollius unda?
dura tamen molli saxa cavantur aqua.

300. Catilina a Cicerone consule urbe expulsus est, et socii ejus deprehensi in carcere strangulati sunt.

301. Tempori cedere, id est necessitati parere, semper sapientis est habitum.

302. Fame coacta vulpes alta in vinea
uvam appetebat, summis saliens viribus:
quam tangere ut non potuit, discedens ait:
nondum matura est, nolo acerbam sumere.

303. Seneca haec ad amicum scripsit: Ante senectutem curavi, ut bene viverem; in senectute curo, ut bene e vita decedam.

304. Si Alexander, qui tot gentes armis devicit, etiam animi sui cupiditates vicisset, diutius haud dubie et majore cum gloria vixisset.

305. Praeceptores erudiunt pueros, servi dominis serviunt, cives legibus obediunt.

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TITUS.

321. Titus amor ac deliciae generis humani appellatus est. admonentibus domesticis, quia plura polliceretur, quam praestare posset, non oportere, ait, quemquam a sermone principis tristem discedere. atque etiam recordatus quondam super coenam, quod nihil cuiquam toto die praestitisset, memorabilem illam meritoque laudatam vocem edidit : Amici, diem perdidit !

THE LIMITS OF PLAY.

322. Lusus pueris proderunt ; quia pueri post lusus plus virium et acriorem animum afferunt ad discendum. modus tamen sit remissionibus ; ne aut negatae odium studiorum faciant, aut nimiae otii consuetudinem afferant.

323.

AN OLD HALL.

Quin etiam veterum effigies ex ordine avorum antiqua e cedro, Italusque paterque Sabinus vitisator, curvam servans sub imagine falcem, Saturnusque senex Janique bifrontis imago vestibulo adstabant, alique ab origine reges, martiaque ob patriam pugnando vulnera passi ; multaque praeterea sacris in postibus arma, captivi pendent currus curvaeque secures, et cristae capitum et portarum ingentia claustra, spiculaque clipeique creptaque rostra carinis.

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324. Eleus Iippias, cum Olympiam venisset, gloriatus est, cuncta paene audiente Graecia, nihil esse ulla in arte rerum omnium, quod ipse nesciret ; nec solum has artes, quibus liberales doctrinae atque ingenuae continerentur, geometriam, musicam, litterarum cognitionem et poëtarum, atque illa, quae de naturis rerum, quae de hominum moribus, quae de rebuspublicis dicerentur : sed anulum, quem haberet, pallium, quo amictus, soccos, quibus indutus esset, se sua manu confecisse.

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Populus Atheniensis Phocionem patriā pepulit. **NEP.**
The Athenian people drove Phocion from his country.

The Ablative of Origin is used with Verbs, chiefly Participles, implying descent or origin :

Tantalo prognatus, Pelope natus.
Descended from Tantalus, son of Pelops.

18.

1. The death of Hannibal freed the Romans from fear.
2. No one is free from blame.
3. We are in need of brave soldiers.
4. They stripped the town of defenders.
5. The Helvetii did not abstain from wrong.
6. Caesar calls the soldiers away from the battle.
7. The praetors kept the crowd from the forum.
8. Tarquin, the last king of the Romans, was expelled from the city.
9. The murderers abandoned their attempt.
10. Hippocrates was descended from a Syracusan family.
11. Caesar cut off the enemy from their supplies.
12. He was descended from Hercules.
13. I will relieve you of this load.
14. Love of virtue ought to restrain us from wrong.
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Each Exercise has two parts (A, B).

8. Leave nothing undone¹ to avenge your brother.
9. It was² all through you that I did not defeat the enemy.
10. We shall not prevent them doing that.

III. INDIRECT QUESTIONS.

15. Clauses containing Indirect Questions have a verb in the conjunctive, and are joined by interrogative pronouns or conjunctions with the principal verb :

Quæsit cur hæc fecissem.
He inquired why I had done this.

Rogaverunt quando futurum esset ut pons conficeretur.
They asked when the bridge would be finished.

NOTE 1.—The principal verb need not be of an interrogative character :

Moneo quid faciendum sit.
I warn you what you ought to do.

NOTE 2.—The conjunctions *if, whether*, must never be translated by *si, sive*, but by *-ne, num, nonne* :

Dic mihi num valeat.
Tell me if he is well.

NOTE 3.—For a future conjunctive passive the periphrastic forms *futurum sit, fuerit, esset* (followed by *ut* and conjunctive) must be used.

NOTE 4.—*Nescio quis, nescio quomodo* (*some one, somehow*) are treated as simple expressions and do not take the conjunctive :

Nescio quis venit.
Some one came.

¹ *Prætermitto.*

² *Sto.*

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46 *Notanda Quaedam.*

4. Caius swore that he would never do anything that was unworthy of a Roman citizen.
5. The river was so rapid that the army could not cross without great danger.
6. The boy asked me whether the old man had lived all his life at Gades.
7. He advised us to be mindful of the shortness of life.
8. He has been made heir to the whole estate.
9. I hope the poor citizens will be spared.
10. You are weak compared to him.

LXVIII.

1. The Senate was nearly all on the side of Hannibal.
2. The dictator swore that if no one followed he would die alone for his country.
3. He ordered the centurion not to kill the prisoners.
4. Who is there that does not love the old generals of Rome?
5. He gave the soldiers two pounds of corn apiece.

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WAR

ēquitātus,	-ūs,	<i>cavalry.</i>
peditātus,	-ūs,	<i>infantry.</i>
mānus,	-ūs,	<i>band.</i>
tripertito,		<i>in three divisions.</i>
quam maximus,	-i -ae -i,	<i>as great as possible.</i>
habeo,	(2),	<i>hold (levy).</i>
convēnio,	-vēni -ventum,	<i>assemble.</i>
conscribo,	-psi -ptum,	<i>enrol.</i>
compāro,	(1),	<i>raise.</i>
cōgo,	coēgi, coactum,	<i>collect, compel.</i>

39. [xxxvi.] War (Service).

stipendium,	-ii,	<i>pay, service, tribute.</i>
missio,	-ōnis,	<i>discharge.</i>
milītia,	-ae,	<i>warfare, military service.</i>
sācrāmentum,		<i>oath.</i>
tiro,	-ōnis,	<i>recruit.</i>
vētērānus,	-i,	<i>veteran.</i>
immūnitas,	-ātis,	<i>exemption.</i>
ēmēriti,	-ōrum,	<i>soldiers who have served their time.</i>
vexillārii,	-ōrum,	<i>reserve forces.</i>
in verba jūro,	(1),	<i>swear (according to a formula).</i>
mēreor,	-ītus,	<i>serve, deserve.</i>
milīto,	(1),	<i>serve (as a soldier).</i>

40. [xxxvii.] War (Camp).

tābernāculum,	-i,	<i>tent.</i>
praetōrium,	-ii,	<i>general's tent.</i>
porta dēcūmāna,	-ae -ae,	<i>main gate of camp.</i>
castra hiberna,	-ōrum,	<i>winter camp.</i>
castra aestiva,	-ōrum,	<i>summer camp.</i>
castra stātiva,	-ōrum,	<i>stationary camp.</i>
āpertus,	-i -ae -i,	<i>open, unprotected.</i>

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2. What is the difference in meaning between the singular and plural of—*comitium*, *littera*, *ludus*, *tabula*?

3. Translate—what does it matter to me? accused of embezzlement; a house of marble; the day after the battle; after the rising of the sun; do not lie; more than three months; to Naples; lighter than gold; at least; at length.

4. Explain the forms—*quī*, *sultis*, *viden*, *fervit*.

5. Translate and comment on—(1) *Opus est properato.* (2) *Parcite procedere.* (3) *Non recusavit quominus poenam subiret.* (4) *Nullum intermisi diem quin scriberem.*

6. Turn into *oratio recta*—(1) *Dixit eum si hoc diceret, errare.* (2) *Dixit eum si hoc diceret, erraturum esse.* (3) *Dixit eum si hoc dixisset, erraturum fuisse.*

7. Explain the figures in—(1) *Pateris libamus et auro.* (2) *Insaniens sapientia.* (3) *Superbos Tarquini fascēs.* (4) *Scuta latentia condunt.* (5) *Dulce loquens Lalage.*

8. Give the constructions with—*polliceor*, *impero*, *refert*, *vereor*, *quum*, *nē*. Distinguish between the transitive and intransitive uses of—*fugio*, *consulo*, *convenio*.

9. What do you mean by—cardinal numbers, consecutive clause, co-ordinate sentence, diaeresis, enclitics, labials?

10. What English words are derived from—*templum*, *metior*, *sidus*, *dexter*, *ambio*? What were the original names of the months *Iulius* and *Augustus*?

11. Give an example of *coepi* in passive construction.

12. Translate—I know no one to trust. Do not prevent me from going. Do you know how many years Caesar lived? Who has seen the Pyramids without wondering at them? We are permitted to do this.

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[Specimen Page.]

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		masculine	feminine	neuter
<i>singular</i>	nom.	φίλιος	φιλίᾱ	φί'λιον
	voc.	φίλιε	φιλίᾱ	φί'λιον
	acc.	φίλιον	φιλιάν	φίλιον
	gen.	φιλίων	φιλιάς	φιλίου
	dat.	φιλίῳ	φιλίᾳ	φιγίῳ
<i>dual</i>	n. v. a.	φιλίῳ	φιλίῳ	φιλίῳ
	g. d.	φιλίοιν	φιλίοιν	φιλίοιν
<i>plural</i>	n. v.	φίλιοι	φίλιαι	φί'λια
	acc.	φίλιους	φιλιάς	φί'λια
	gen.	φιλίων	φιλίων	φιλίων
	dat.	φιλίοις	φιλίαις	φιλίοις

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	masculine	feminine	neuter
<i>singular</i>	nom.		
	voc.		
	acc.		χρῦσούν
	gen.	χρῦσου	χρῦσου
	dat.		
	n. v. a.		
	g. d.	χρῦσοῖν	χρῦσ
			χρῦσοῖν
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47. 51. ἐποίησεν] The aorists in this and the following verses are *gnomic*; cf. 46. 46.

ἐν βραχίονι] 'with His arm'; ἐν is frequently used of the instrument in Hellenistic Greek; cf. Matt. xxvi. 52, ἐν μαχαίρᾳ ἀπολοῦνται, 'they will perish with the sword.' The 'arm' of God as a symbol of His power is frequently mentioned in the O. T.; cf. Ps. lxxxix. 13.

52. δυνάστας] 'princes,' 'potentates.' For the thought, cf. the story of Nebuchadnezzar, Dan. iv. 30.

53. ἀγαθῶν] Genitive of material. [§ 25.]

54. ἀντελάβετο] lit. 'took by the hand,' i.e. 'helped.'

55. καθὼς...ἡμῶν] These words form a parenthesis; 'that He might remember mercy (*even as He spake unto our fathers*) toward Abraham and his seed for ever.'

αἰῶνα] cf. 121. 46.

48. 1. ἐγένετο...ἐξήλθεν] ἐγένετο is a translation of a Hebrew formula of transition; the verb which follows is sometimes connected with καί, sometimes (as here) has no connecting particle.

ἐν ταῖς ἡμέραις ἐκείναις] i.e. at the time of or shortly after the Annunciation.

ἀπογράφεσθαι] Either passive 'should be enrolled,' or middle 'should enrol themselves.' The ἀπογραφή was a registration, generally for the purpose of taxation. Every Roman subject was liable to a capitation tax.

πᾶσαν τὴν οἰκουμένην] sc. γῆν, 'all the habitable world,' i. e. the Roman Empire.

2. αὕτη...Κυρηνίου] 'this was the first enrolment made,' lit. 'this enrolment took place as the first.' Quirinius was governor of Syria in

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 ἀνέξομαι ζῶσα. (3) οὐ σοι μὴ μ
 (4) ἦδει ἄξιός ἄν ᾧ θανάτου. (5)
 (6) ἀμείβειν χρύσεα χαλκείων. (7)
 πατρός. (8) ὁ μάντις τοὺς λόγους ψευδεῖς λέγει.

6. What notion generally precedes the use of :

Give rules for the construction of final sentences in Greek, with examples.

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8. Is there any connection or similarity between the case-endings of Latin and Greek?

9. Translate—

1. He sent for his wife and her son.
2. Do not go away till I come.
3. Surely you do not say so?

LXVIII.

1. Give the Genitive and Gender of—γάλα—
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2. Give the chief tenses of—αἶρω—

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j'irai tu iras il ira nous irons vous irez ils iront	j'irais tu irais il irait nous irions vous iriez ils iraient	que j'aille que tu ailles qu'il aille que nous allions que vous alliez qu'ils aillent	que j'allasse que tu allasses qu'il allât que nous allussions que vous allassiez qu'ils allassent	va allons allez
je m'en irai tu t'en iras il s'en ira <i>irons</i> nous nous en vous vous en irez ils s'en iront	je m'en irais tu t'en irais il s'en irait n. n. en irions v. v. en iriez ils s'en iraient	que je m'en aille que tu t'en ailles qu'il s'en aille que n. n. en allions que v. v. en alliez qu'ils s'en aillent	que je m'en allasse que tu t'en allasses qu'il s'en allât que n. n. en allussions que v. v. en allassiez qu'ils s'en allassent	va-t'en allons-nous-en allez-vous-en
je battraï	je battrais	que je batte	que je battisse	bats battons battez
je boirai tu boiras il boira nous boirons vous boirez ils boiront	je boirais tu boirais il boirait nous boirions vous boiriez ils boiraient	que je boive que tu boives qu'il boive que nous buvions que vous buviez qu'ils boivent	que je busse que tu busses qu'il bût que nous buissions que vous busseriez qu'ils bussent	bois buvons buvez
je connaîtraï tu connaîtras il connaîtra nous connaîtrons vous connaîtrez ils connaîtront	je connaîtrais tu connaîtrais il connaîtrait n. n. connaîtrions vous connaîtriez ils connaîtraient	que je connaisse que tu connaisses qu'il connaisse que n. n. connaissions que vous connaissiez qu'ils connaissent	que je connusse que tu connusses qu'il connût que n. n. connussions que vous connussiez qu'ils connussent	connais connaissons connaissez
je courrai	je courrais	que je coure	que je courusse	cours courons courez
je croirai	je croirais	que je croie que tu croies qu'il croie que nous croyions que vous croyiez qu'ils croient	que je crusse	crois croyons croyez

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3. What is the place of the adverb in a French sentence ? Translate—I have slept well.

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5. What tenses are formed from the present participle ? Give examples, and any exceptions you know.

6. Translate—

1. I have passed you the salt.

2. Have you left the door open ?

3. I have given your father the book I promised him.

4. Who is there ? It is he.

5. I will give it him if you like.

7. Write the infinitive of—mis, sert, envoient, dû, fait, vu, ouvert.

8. Derive—agneau, aigu, ajouter, âme, arriver.

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(1) This to the gentle Critias.

(2) Then I die happy.

(3) We shall this day light such a candle as I trust shall never be put out.

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